A STUDY OF INFORMAL SECTOR IN ECONOMIC DEVELOPMENT OF NAGALAND.

THESIS SUBMITTED FOR THE DEGREE OF

DOCTOR OF PHILOSOPHY.

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CERTIFICATE

This is to certify that **Shri Tisonise Iralu**, Lecturer in Commerce, Dimapur Government College, Dimapur, has worked for his doctoral thesis entitled "**A study of informal sector in economic development of Nagaland"** under our joint supervision. This is an original piece of work and has not been submitted for any degree in any other university.

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PREFACE

The role of informal sector in the development process of a developing economy has been a subject of debate and discussion for a long time. Perceptions of the informal sector in the past concluded that the informal sector was unproductive, that it lacked potential and was of little significance in the development process. However, empirical evidence from studies carried out in developing countries is showing a different analysis: a strong viewpoint has emerged that development strategy focusing on the sector could prove more effective in the generation of rapid and equitable growth of income and employment. The present study attempts to examine this proposition in the context of Nagaland.

Industrialization is still in its infancy in the state. Several constraints such as lack of desired level of infra-structure, difficult terrain and political instability have been responsible for lack of visible growth in the industrial sector in Nagaland. Despite sincere efforts to build up a technical and institutional infra-structure for planned development of this backward state, the economy suffers from stagnation. Thus the problem of unemployment in this hilly state has not found a solution in industrialization.

The present situation is one where absence of large scale industries and nominal private participation is felt acutely. Thus, the economy of Nagaland primarily depends upon informal sector activities to provide gainful employment opportunities to people of the state. The relevance of the study arises because the potential for employment and income generation in the informal sector has yet to be explored and recognized for the tremendous employment scope it offers.

ACKNOWLEDGEMENTS

A lot of hard work and "sleepless nights" have gone into this work. But obviously this work has reached its final stage only through the active support and encouragement given to me by a host of people.

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PREVIEW

The most discussed concept among the terminology of social sciences today is probably the " INFORMAL SECTOR". Its role and potential in the development process of a developing economy has been a subject of debate and discussion since the late 1960's. Of late, the debate has become more alive with the emergence of a strong view point that development strategies focussing on these sector could proof more effective in the generation of rapid and equitable growth of income and employment rather than the formal sector.

The economic activities in the informal sector are characterised by easy entry, reliance on indigenous resources, negligible capital investment, labour intensiveness and highly competitive unregulated market. They provide and array of low cost consumption goods and services at low profit margins at outlet convenient to customers. In addition, the informal sector is also a source of simple and low cost capital goods for its own use and backward sections of the rural economy. Further it serves as a cushion for the underemployed or unemployed by absorbing all those who have been squeezed out of the traditional agrarian sector but found unsuitable for employment in the modern sector.

The informal sector also provides repair and other support services to the formal sector. Formal sector operations would be less sustainable and efficient without reliance on this exogenous, ancillary system. "In fact, were informal sector activities suddenly to cease at the behest of a bumbling city – saver, one can be sure that our urban economies would collapse into recession and anarchy".[1]

[1] J.B.D Souza : The real city-saver; Economic and Political weekly, May 20,1989.

The informal sector has for long been the neglected sector. The underemployed groups on the streets of big towns, such as petty traders, street hawkers, shoe shine boys etc. also come under this sector. Within the informal sector can be found traders offering virtually the full range of basic skills for the larger low income section of the population; carpenters, masons, tailors, cooks and taxi drivers also come within this sector.

While the popular view has tended to conclude that the informal sector is unproductive, lacks potential and has no significant role in the development process, empirical evidence has revealed that the bulk of employment in the informal sector, far from being merely marginally productive, is economically efficient and profit making despite limitations imposed by its small scale nature, simple technology, little capital and lack of links with the formal sector. The capacity of the informal sector to generate employment and equitable pattern of distribution is slowly emerging because information on informal sector has been highly limited and primarily impressionistic, although information on the organised formal sector was easily accessible.

Development strategy in the recent past worked according to the presumption that process of industrialisation could provide substantial employment opportunities in the modern urban areas. Yet, despite the best of efforts the scope for generating major increase in industrial employment in large scale manufacturing remains limited.

The failure of the modern sector to absorb the surplus labour has however not led to rampant large scale unemployment in the metropolitan centres as would be predicted by competitive models. The so called surplus labour unable to gain entry into the formal (modern) sector is generally found to be absorbed by the rest of the urban economy, i.e. the informal sector.

The urban economies in most developing countries have been found to have an increasingly large part of their activities in the informal sector. The following

estimates will show the high percentage of income and employment being generated by the informal sector. Employment in the informal sector constitutes around 60-70% in Nairobi (Kenya, 1972)[1] and Kumasi (Ghana, 1977)[2], 50% in Jakarta (Indonesia, 1976)[3], 45% in Calcutta (India, 1974)[4], Mumbai (India, 1976)[5], Ahmedabad (India, 1978)[6] and 58.7% in Jaipur (India, 1992)[7]. The proportion of urban regional income attributions to the informal sector in the following cities is estimated at 33% in Asuncion (Paraguay, 1976)[8], 25% in San Salvador (El-Salvador, 1976)[8], 30% in Lima (Peru, 1976)[8], and 28% in Ahmedabad (India, 1978)[9]. The availability of such statistics confirm the emerging view that the informal sector represents a source of growth promotion, employment and equity objectives vital to a developing economy. It is relevant to take note of the contributions of the informal sector in Jakarta, which totalled approximately US $ 400 Million in 1976, as compared to an estimated value of the GDP in the region in the remaining sectors of about US $ 940 Million, i.e., 30% of the total income generated in the Jakarta region[10].

Other research studies on informal sector in India also reveal that the size of the informal sector in terms of employment ranges from a minimum of 45 percent to a maximum of 75 percent as shown in the following table:

---

[1] ILO, Employment, Incomes and Equity; A strategy for increasing productive employment in Kenya, Geneva, 1972.

[2] ILO, Employment problems in the rural and informal sectors in Ghana, Report of an ILO/JASPA mission, Addis Ababa, 1977.

[3] S.V. Sethuraman, Jakarta; urban development and employment, ILO Geneva, 1976.

[4] Harold Lubell, Urban Development and Employment: The prospects for Calcutta, ILO, Geneva, 1974; and A.N. Bose, the informal sector in Calcutta Metropolitan economy, ILO, Geneva 1974.

[5] Heather and Vijay Joshi: Surplus labour and city; A study in Bombay, Bombay 1976.

[6] T.S. Papola: Urban Informal Sector in a Developing Economy. Vikas Publishing House Pvt. Ltd., 5 Ansari Road, New Delhi, 1981.

[7] Surjit Singh: Urban informal sector; Rawat Publications, Jaipur and New Delhi, 1994.

[8] P.R. Souza and Victor E. Tokman: "The informal urban sector in Latin America", in International labour review, Nov.-Dec., 1976. P. 357.

[9] T.S. Papola: The informal sector in an Urban economy; A study in Ahmedabad (Lucknow, 1978) p.74.

[10] S.V. Sethuraman: " The urban informal sector in developing countries, employment, poverty and environment, ILO Geneva, 1981.

TABLE: I.1
Urban Informal Sector in India: Estimates of size.

Sl No	Author research	Study area (Ref. year)	Total population	Estimated size as a percentage of total employment	Method of Estimation	Data Base
1	2	3	4	5	6	7
1	Joshi & Joshi	Greater Bombay 1971	59,71,000	49.5	Exclusion: Organised sector defined as establishments with more than 25 employment	Directorate of Employment Bombay, Quarterly return, 1961, 1966 & 1071 (with correction for 1961).
2	Despande (1979)	Greater Bombay 1961 1971	41,52,00 59,71,000	I II 51.3 41.0 50.4 39.5	-do- -do-	I. Same without correction II. Same as above with corrections for 1961&1971
3	Bose (1978a)	Calcutta city (1971)	31,48,746	28.3	Exclusion: Manufacturing -≤ 20 workers Non-manufacturing-≤ workers + independent workers	Census of India, 1971 Establishment Tables.
4	Majumdar (1978)	Delhi 1961, 1971	23,59,408 36,47,023	61.4 53.8	Exclusion: 10 workers	Directorate of Employment Delhi.
5	ORG (1978)	Madras metropolitan area 1971	25,00,000	50 to 70	Exclusion: 10 workers + unattached workers	Census of India, 1971 Establishment Tables.
6	Mehta (1982)	Ahmedabad urban Agg. 1961 1971 1981	12,57,907 18,09,140 25,15,195	53.2 49.4 54.3	Exclusion: 25 workers	EMI, Directorate of Employment and Training.
7	Swamy (1982)	Bangalore urban Agg. 1981	29,83,000	65.0	-do-	-do-
8	School of Planning 1983	Surat urban Agg. 1971 1981	5,24,323 9,13,806	75.8 79.3	-do-	-do-
9	Aziz (1984)	Bangolore (1971)	15,40,741	40.3	Exclusion: 10 workers	Census of India, Establishment Tables.

Source : Meera Mehta: Urban informal sector – an Indian sketch.

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Source : Meera Mehta: Urban informal sector – an Indian sketch.

It would therefore, be highly unrealistic to plan for development strategies without a reasonably sound base of information on the sizeable segment called "informal sector" in order to counter the main problems of developing countries- employment creation and income distribution.

Although empirical studies have revealed such an impressive picture regarding the vast potential of the informal sector in generating employment and equitable distribution of income, it is regrettable to note that in India, development strategies and policy measures are not directed towards the development of the informal sector.

"Whenever the government sets about supporting economic activity in the urban and rural areas their attention gets automatically riveted on large and so-called small – scale industry. The very extensive bulk/army of the educated and uneducated self employed, the numberless operators in the tertiary sector, and those in the secondary sector at a level too small to qualify even as "tiny" or "small – scale" as these terms are officially defined – all these escape attention and support despite the vast employment potential they represent. Apart from being overlooked by government's promotional policies, the operators in this sector have to resist and survive persistent pressure and harassment from government and municipal inspectors, because they operate largely outside the law".[1]

As per the industrial policy of India with regards to policy measures for promoting and strengthening small/tiny and village enterprises, the economic activities in the informal sector have altogether been left out. "Only those

[1] JBD Souza : The real city - savers; Economic and Political weekly May 20,1989.

enterprises that are industry related qualify for registration and financial assistance. (Illustrative list of activities which are not recognised as small scale industry/Business (industry related) enterprises)" [1]

Thus there is an urgent need to examine and redirect development strategies towards the development of this sector in the light of its immense potentialities in generating employment and equitable distribution of income.

NEED AND IMPORTANCE OF STUDY:

The importance of this study in the context of Nagaland is pertinent because the economy is more or less dependent on the presence of this sector for its survival. Despite, sincere efforts to build up a technical and institutional infrastructure for planned development of this backward state, the economy suffers from stagnation and is caught in the vicious circle of dependence and backwardness.

Nagaland economy is basically dominated by the primary sector, that too of the rudimentary nature of cultivation. Thus, the most important activity is agriculture, which occupies 73.38% of the working force. Besides agriculture, other economic activities in which people engage themselves are trade and commerce, transport and communication, household units, quarry, construction, servicing and repairing services.

Industrial growth in the state is negligible because of various constraints like, lack of desired level of infrastructure, shortage of capital, absence of indigenous entrepreneur, non – availability of trained man-power, institutional finance,

[1] Report on the second All – India census of small-scale Industrial units. Nagaland, Volume I, 1992 Anx.II.

difficult terrain and political instability. The few industries that were established have closed down having been declared sick industries. Those that continue do so at a loss. The problem of unemployment in this mountainous state has not found a solution in industrialisation. As per 1991 census Nagaland recorded the highest decennial growth rate in population compared to other states of the country that was 56.08%. The total number of unemployed youths recorded in the life register of the employment exchanges in Nagaland was 35,463 in 1999.

It is regrettable to note that although the state has large-scale unemployment problem, the local population are unaware of the immense potential that this sector offers in terms of employment and income. Most of the educated youths look for white-collar job in government offices. Perhaps this type of unemployment problem is prevailing at a large scale in the state.

The informal sector in Nagaland is dominated by people from outside the state, mostly immigrants, who have inherited skills, strong financial support and business links outside the state. In such a situation, the little revenue that is generated in the economy and the large sum of money that is being pumped by the centre to meet the financial needs of the state plan is diverted outside the state ultimately. It has been estimated that an amount above Rs. one crore daily goes out of the state in the purchase of food items only, excluding other expenses for daily maintenance, that is coming to Dimapur, the commercial hub of Nagaland. One can imagine the magnitude in terms of money that is being drained daily out of the state when all districts in Nagaland are taken into account.

From the above picture it is evident that the informal sector has an important role to play in the economic development of the state. The relevance of the study arises because the potential for employment and income generation in the informal sector has yet to be explored and recognised for the tremendous employment scope it offers. As the economic situation is similar in all the North Eastern states, the findings of the study will also be applicable to the economy of the whole North Eastern belt.

CONCEPT AND DEFINITION OF INFORMAL SECTOR:

The concept of informal sector has acquired a special attention ever since it was used as a tool for analysis and policy formulation on unemployment and income by the Kenya Mission. The term informal, unorganised, unregulated, unincorporated, micro-enterprises, traditional and household enterprises are used interchangeably in contrast to formal, organised, regulated, modern and corporate sectors respectively. A strict and precise definition of the term informal sector is yet to be given because the activities encompassed by the sector vary. The term appears to be an all-inclusive one, referring to a broad variety of activities, which are not formal.

According to an ILO study (1972) as published in Meir (1984), "informal activities are the way of doing things characterised by ease of entry, reliance on indigenous resources, family owner-ship of enterprises, small scale operation, labour intensive and adapted technology, skills acquired outside the formal school system and unregulated and competitive markets as against the characteristic of formal sector activities which are their obverse and listed as difficult entry , frequent reliance on overseas resources, corporate ownership, large scale operation, capital intensive and often imported technology, formally

acquired skills often expatriate and protected markets through tariffs , quota and trade lincences".[1]

Perhaps the most distinguishing and manifesting attribute between the formal and informal sector is the structure of their organisations. The enterprise belonging to the formal sector have a labour force which is stratified into managers and workers and is hierarchically ordered according to the levels of authority enjoyed for decision – making. The relationship of all such employees with the organisation is established and maintained through pre-contracted job descriptions and commensurate wages. The owner of the firms are hardly the member of the labour force. When they do work within the organisation they describe themselves as members of the top – level decision – makers.

In the informal sector, self –employment is the pervasive norm, where the owners are the managers as well as the workers. When additional hands are hired, they get the jobs of workers and occasionally as supervisors. Their job descriptions and wages are decided through negotiations. The duration of employment is hardly admitted in such negotiations. The wages rate is structured and stable in the formal sector, whereas in the informal sector, it is not.

Another distinguishing attribute which can be identified from the manifest expression of these two sectors is the composition of capital. In the formal sector, the value of fixed assets in the form of tools, machineries, sheds, buildings or land per worker engaged is strikingly higher than that obtaining

1 Gerald M. Meier: Leading issues in Economic Development, Oxford University Press.1984.

within the informal sector. In other words, the formal sector uses relatively capital – intensive technology. The machines and tools together with their manuals of operation are generally imported, and if indigenous their manufacture depends on imported technology. In contrast the informal sector uses an essentially labour – intensive technology. The tools are basically traditional or are locally fabricated by adopting the imported varieties. The investment in capital is mainly in the form of stock of inventory, as the informal sector units are not in a position to invest in assets like land, building and machineries. Further, the size of circulating capital per worker is higher in the formal sector enterprises. This is largely due to size of the inventory and the wage bill. The average number of persons employed per enterprise in the formal sector is generally higher than that in the informal sector. However, the number of units in the informal sector being very high, these account for the large segments of the employed workers in the economy.

The relationship with the customer in the informal sector is direct and personalised, while it is impersonal (formal by contracts) in the formal sector. A huge amount of money is spent on advertising and promotional activities in the formal sector, whereas in contrast to this, the informal sector does not indulge in advertisement and depends on communication through word of mouth.

Access to credit facilities from banks and other financial institution is another distinguishing attribute of the formal sector. In contrast to this, the informal sector enterprises have very little access to credits from the financial institution as they cannot provide the collateral security, which is a pre-condition for securing loans.

Though it is difficult to strictly define the informal sector it indicates a broad spectrum of heterogeneous activities ranging from employment in small-scale enterprises to self-employment. Over the years, authors and researchers have defined the informal sector in terms of several parameters. The most simple one is to consider it to be that component of the economy which is not included in the formal or organised sector, in the sense that it is not regulated by, or subject to, all specific rules and regulations that normally apply to units engaged in economic activities in the organised or formal sector.

The most common parameter used to define the informal sector is number of workers engaged in the enterprise, generally less than a specified figure, which ranges between 5 and 25. Majumdar, Papola and Aziz have defined an informal sector unit in Delhi, Ahmedabad and Bangalore respectively as having less than 10 workers, whereas Joshi and Joshi have defined informal sector units in Bombay as having less than 25 workers.

Another parameter, often used to define the informal sector is closely related to the number of employees which is the non – applicability of labour laws and the existence of highly unorganised and unhygienic working conditions.

Some other parameters that have been used to define an informal sector unit are type of activity, investment, turnover, type of market and level of technology.

"It was often believed that the informal sector unit is an unregistered unit in the sense that it is not registered with any official agency of the Government. Empirical evidence is now emerging to show that this definition is deficient because a large number of unit are registered with some public agency like the

small scale industries department, the road transport authority, the municipal corporation, the railways, etc." [1]

The above statement is found to be true as many of the units registered with these agencies have similar characteristics attributed to the informal sector.

The informal sector is therefore, indeed, a segment of the economy that may be linked with organised segment, but it is still not fully integrated with it. It is not subject to all the normal laws and regulations which non-informal sector have to abide by though it may be registered under some statute.

As available studies have shown the informal sector to be highly variegated and extensive, it may not be appropriate to define it in terms of one strict criterion. The definition should be location specific, situation-specific and purpose specific. It has to be defined in the context of the stage of economic development attained and the political and social environment existing in a particular state or country.

The employment parameter for defining, the informal sector became popular as the ILO sponsored studies which initiated attention and research on the informal sector, sought to estimate the employment generation capacity and potential of the unorganised, as compared to organised industrial units.

As the major objectives of this study is to estimate the employment and income generation capacity and potential of the informal sector as compared to the

[1] Vinay D. Lall: Informal sector in the national capital region, 1986.

formal sector, the size of employment has been used as the distinguishing operational criterion. All enterprises with less than ten persons (employed) and engaged in manufacturing, construction, transport, trade and service segments have been defined as the constituents of the informal sector.

OBJECTIVE OF THE STUDY:

In the light of the above, the major objectives of the study are:-

1. To estimate the contribution of informal sector in the income and employment generation in the economy of Nagaland.
2. An examination of the income and employment generating capacity of the informal sector, vis-à-vis the formal sector as well as the various segment of the informal sector in relation to each other.
3. A description of the socio-economic characteristics of the workers in the informal sector.
4. An analysis of the occupations and earnings in pre-migration and post migration period of the individuals engaged in informal sector.
5. To examine the problems faced by informal sector enterprises.
6. The study will put forward suggestions for the development of the economy of the state.

METHODOLOGY:

Since the study is primary data based, a questionnaire seeking the relevant information was designed and administered to enterprises engaged in manufacturing, construction, transport, trade and service segments having less than ten persons employed through personal interviews. The questionnaire has

presented in *appendix table no. V*. The information sought through the questionnaire was primarily focused on the following areas:

I. Personal data of the entrepreneurs like age, sex, marital status, year of establishment, location, educational qualification, native place with particulars, income, type of accommodations, economic status of the family and training or experience acquired in managing the present activity.

II. Activity analysis such as kind of activity, form of ownership, commodities dealt in, nature of activity, registration, activity premises, access to utilities, size of the unit and prospect of the activity in future.

III. Employment relating to number of employees, family members, non-family members (hired), educational qualification of the employees, native place with particulars, age, sex, nature of employment and working hours in a day.

IV. Market such as place of purchase, sale of products and problems relating to marketing.

V. Financial matters like initial and present investment, average stock of inventory, financial assistance sought, required amount to develop the activity, value of assets owned presently and maintenance of Accounts.

VI. Sales and Profitability such as average amount of sales per month and annually as well average profit per month and annually. The disposition of profit generated monthly is also covered.

VII. Problems faced by the enterprises initially and presently, such as finance, demand, location and bad debts.

Besides the primary data collected through the above questionnaire, secondary data pertaining to the formal sector were also collected from the Directorate of Industries and Commerce, Khadi and Village Industries Board, Directorate of Employment and Craftsmen training, various Town Committees and other relevant Government departments. Information was also collected by interviewing prominent Government officials and successful entrepreneurs of the state. For the purpose of statistical analysis the regression analysis technique was used to study the linear effect of investment on profit and sales on profit. The data thus obtained was analysed and conclusions derived based on the responses received.

SIZE OF THE INFORMAL SECTOR IN NAGALAND — AN ESTIMATE.

Determining the size of the informal sector is not easy because of conceptual difficulties associated with definition of the informal sector and classification of economic activities as formal and informal. The main difficulty arises because of the nature and composition of this sector and the heterogeneity found in it.

Despite the conceptual problems of classification faced, it is essential for an empirical study like the present one to adopt an operational criterion to identify the informal sector. While one can intuitively judge the relative importance of formal / informal component in each activity, it is necessary for the purpose of a study to set a dividing line between the sectors and on that basis estimate the size of the informal sector as a whole in the entire economy. One criterion, which is common to informal sector and its other approximate synonyms, is the size of production units which is also operationally a convenient criterion. Therefore, a general proposition has been postulated that all production units employing less than 10 workers, including establishments and own account

enterprises may be considered to constitute the informal sector. This postulation has been made based on the criterion adopted earlier in identifying the informal sector units in the present study i.e. all production units employing less than 10 workers.

The information available from secondary sources, particularly the economic census of Nagaland enables us to approach the problem on the basis of employment rather than production units. Adopting the criterion as above i.e. enterprises employing less than 10 workers, it is estimated that there are about 26,613 enterprises providing employment to about 65099 workers. This figure has been determined from the information provided in the fourth economic census 1998, conducted by Directorate of Economic and Statistics, Government of Nagaland. The calculation has been made on the following basis.

TABLE 1.2

Size of the Informal Sector in Nagaland.

Sl. No	ENTERPRISES	NO. OF UNITS/ ENTERPRISES	EMPLOYMENT (NO)
1.	OWN ACCOUNT ENTERPRISES(I) – (Employing less than 10 persons)	13,693	20,009
2.	ESTABLISHMENT ENTERPRISES(ii) - (Employing less than 10 persons)	12,920	45090.
TOTAL		**26,613**	**65,099**

Source *: Fourth Economic census 1998 page 96 and 119.*

Note : (i). Own account enterprise :- Enterprises operated with the help of household labour only.

(ii) . Establishments:- Enterprises operated with the assistance of at least one hired worker on a fairly regular basis.

THE SAMPLE SURVEY.

Urban areas : The sample survey of informal activities in urban activities in urban areas covered 2000 units employing less than ten persons and engaged in trade, service manufacturing, construction and transport activities. The units have been randomly chosen considering the concentration of activities in the urban areas. Thus, the sample survey of 2000 units comprises of 1050 units in trade, 140 units in service, 70 units in manufacturing, 310 units in construction and 430 units in transport.

Rural areas : Primary data relating to informal sector activities in the rural areas were collected by taking a village as a sample unit. The directorate of census operation, Government of Nagaland,has classified villages in the rural areas according to size of population as very small villages (1 to 499 persons), small villages (500 to 1999 persons), medium villages (2000 – 4999 persons) and big villages (5000 plus persons). Based on this classification 32 villages each from Kohima and Dimapur district having different population size as classified above has been surveyed. From the remaining 6 districts of Nagaland (Mon, Tuensang, Zunheboto, Wokha, Mokokchung and Phek), 10 villages each, having different population size, classified as above has been surveyed. From the above sample villages i.e. 185 villages, primary data from 375 informal sector units relating to trade, manufacturing, service and construction activities have been collected by administering the questionnaire to the persons engaged in informal sector activities. It has been observed from the field survey that in majority of the villages hardly 3 – 4 informal sector units are in operation. In some villages, particularly in the remote areas shops are even non – existent.

HYPOTHESES:

The present study undertakes to test the following hypothesis:

1. Informal sector contributes significantly to the economy of Nagaland.
2. Extensive development of the informal sector would create substantial employment opportunities to the local unemployed.
3. The informal sector is pre-dominantly owned by people from outside the state.

LIMITATION OF THE STUDY:

The present study on informal sector, being the first of its kind in the state, information about the informal sector is very limited, so far as official records and research data's are concerned. Further the respondents are mostly illiterate. Therefore the investigator had to personally interview and fill up the questionnaire himself. Besides, the geographical area covered by the study was so large that the targeted percentage (coverage) could not be achieved, because of time and financial constraint. However, the random sampling method has been applied which was satisfactory.

Regarding the secondary data collected from different sources, the analysis has been made depending on their reliability.

In certain cases the proprietors and workers may have overstated or understated their problems and grievances. Likewise, because of the political situation prevailing in the state many of the respondents may not have disclosed their true income. Further it has been observed that the informal sector units do not maintain proper accounts to record their daily transactions. Therefore, the answers received in the questionnaire are based on the perception of the

particular respondent's responses. Hence, there are certain amounts of subjectivity in the responses, especially in the case where matters of opinion are involved. However, on the basis of facts extracted from reliable sources, the necessary adjustments have been made to ascertain the real situation prevailing in the state. Agriculture, though having many characteristics of an informal sector has not been covered in this study as agriculture is the primary sector of the economy in the state. It is a recognised sector and the government has a separate department to look after this important segment of the economy. This study tries to incorporate the commercial part of the agricultural produces in Nagaland.

PLAN OF STUDY:

The present study is divided into seven chapters. Chapter one gives an introduction to the study, which includes the background, need and importance, concept and definition of informal sector, objectives, hypotheses, methodology and plan of work.

Chapter two is the review of literature on informal sector. Studies on informal sector carried out in third world and developing countries like Africa, Latin America, Asia and India in particular have been reviewed. The common attributes of the informal sector emerging from these studies have been presented.

Chapter three examines the socio-economic profile of Nagaland. The various aspects of the economy has been highlighted to have an overall view of the economy of Nagaland.

Chapter four studies the informal sector activities in urban areas of Nagaland. The broad feature of the sample units like the enterprises, the pattern of ownership, the entrepreneur, Employment generation, Investment and Structure of financing, sales turnover and profitability have been presented.

Chapter five examines the informal sector activities prevalent in the rural areas of Nagaland. The broad features as above (Chapter IV) have been examined and presented.

Chapter six makes a critical review of the informal sector for economic development of Nagaland with statistical analysis. The relationship and growth between investment and profit, sale and profit have been analysed by fitting the data on these variables to a linear regression equation.

Chapter seven presents the summary and conclusions arrived at from the present study. Based on the findings of the study, certain suggestions were put forward for the economic development of Nagaland.

In the next chapter an attempt has been made to review the past workings on informal sector within and outside the country. It would be our endeavour to cover up the gaps lying untouched in earlier studies on the topic.

CHAPTER II

REVIEW OF LITERATURE

INTRODUCTION – REVIEW OF INFORMAL SECTOR STUDIES IN DEVELOPING NATIONS SUCH AS AFRICA, LATIN AMERICA AND ASIA – THE COMMON ATTRIBUTES OF INFORMAL SECTOR.

INTRODUCTION

The informal sector concept became a focus of research in the area of urban labour markets only from the early 70's. Since, then it has acquired a central role in the theory and practice of development.

The theoretical basis of the concept assumes the coexistence and persistence of two sectors in the urban economy. Keith Hart first used the term, informal sector to suggest such a dichotomy in a study of urban Ghana. In his study he came across a large number of self employed people engaged in income and employment generating activities in the unremunerated sector of urban settlements. These new entrants to the urban labour market, particularly migrants from rural areas were forced to work in the informal sector partly due to lack of adequate opportunities in the formal sector and partly due to the workers lack of skills and experience required for jobs in the formal sector.

The concept started gaining popularity after its wide usage in a number of country and city studies in developing nations carried out under the supervision of ILO world employment programme. In the early sixties the development theorist realised that the trickle down theory under the accelerate growth policy were not operating as expected. So the late sixties saw a re-organisation of development thought which led to search for alternative solutions. More emphasis came to be laid on target group approaches. One such attempt was made through the ILO country missions in Kenya, Columbia, Sri Lanka, Philippians and other several city studies (ILO, 1970, 1971, 1972, 1976a. etc). The major findings of these studies resulted in the shift of emphasis from a development strategy based mainly on economic growth whereby employment

was obtained as residual to a strategy which focus on employment as a prime objective.

"Most of the ILO country studies found a variety of structural imbalances as being the basis of unemployment or under-employment. One of these imbalances, particularly relevant to urban areas, was assumed to be caused by the discriminatory treatment of, or the lack of support for the informal as against the formal sector. These studies have tended to view this sector in a more positive light. They recognised their potential and productive role especially in terms of generating employment and distribution of income".[1]

Using the same model of the country studies, the studies also laid emphasis on the productive role of this sector to generate growth and equitable pattern of income distribution.

As a result of the findings of these ILO studies, research emphasis shifted to the whole gamut of complex activities from which a large system of the urban population literally derives its daily bread. Subsequently it has been recognised that research in urban employment and economy is not confined to the modern manufacturing sector alone.

In the following pages an attempt is made to review such studies carried out in various country and cities in the developing nations such as Africa, Latin America and Asia.

[1] Meera Mehta : Urban Informal sector ; An Indian sketch. 1995

THE INFORMAL SECTOR IN FREETOWN (Sierra Leone – Africa); Opportunities for self-employment: D.A. Fowler – 1976.

The sample size of the study in Freetown informal sector consisted of 1000 enterprises belonging to manufacturing, construction, trade, transport and services. The Freetown study shows that migration is closely linked to the informal sector. A substantial part of the migrants originate from outside the country, notably from Guinea. The migrants are younger and have little education, skills and capital. They nevertheless seem to gain entry into the informal sector by acquiring the necessary skills on the job or through apprenticeship within the informal sector. Many of them manage to acquire the necessary capital through own savings and establish their own business as their duration of stay in Freetown increases. A good number of them seem to enter the tertiary sector owing to its low capital and skill requirements. The evidence seems to suggest that there is some upward mobility in the sense that a greater proportion of the older enterprises is to be found in manufacturing and related activities requiring relatively more capital and skills. Though a substantial number of the migrants were unemployed before, many were previously employed, notably in agriculture. Thus, the informal sector seems to play a vital role in bringing about the change from agriculture to non-agricultural occupations. Few women seem to participate in the informal sector either as "heads" or as "workers". Most of the enterprises are single person units, concentrated in the tertiary activities. Capital per worker is low; yet the average income of the entrepreneur is significantly higher than the legal minimum wage or the wage for comparable labour in the formal sector. But the few wage workers, mainly in manufacturing and related activities seem to earn below the legal minimum wage even though the enterprises work long hours.

Though there is a significant dependence on non indigenous enterprises for inputs and much of the informal sector is starved of capital from the banking system, the major problem confronting these enterprises seems to be one of competition within the informal sector, particularly in trade. This is partly due the fact that the number of enterprises, mainly in trade, has been growing at an incredibly high rate of about 35 percent per year. One of the key questions therefore seems to be: how can the emerging enterprises be assisted to move into more lucrative and productive activities and over a shorter period of time?

HUMAN RESOURCES AND THE LAGOS INFORMAL SECTOR (Nigeria-Africa): O.J. Fapohunda, 1976

The Lagos study focused on a wide range of activities such as manufacturing, construction, trade, transport and services including a few enterprises in primary industries relating to agriculture and mining utilities.

The sample survey of 2000 enterprises was covered. The findings based on the Lagos study are in many respects similar to those of Freetown. Migration plays an important role in informal sector employment unlike in Freetown only a small proportion of the migrants originate from outside the country. The study also confirms the role played by the informal sector in generating skills and in facilitating a smooth transition from agricultural to non-agricultural occupations. Irrespective of the level of education, training on the job and apprenticeship in the informal sector seems vital to employment generation.

Though some 60 percent of the enterprises had apprentices, few of them were paid. Consequently, a majority of the apprentices tend to quit their masters once

the skills are acquired and established their own enterprises rather than seek wage employment.

With regard to the functioning of the labour market, 80 percent of the entrepreneurs seem to be satisfied with their current job and were not interested in changing their job. This is partly explained by their current level of income – 60 percent higher than the legal minimum wage of ₦60 (or about US $100) per month. However, there are substantial variations between entrepreneurs, notably between activities and different size groups. For wage workers, on the other hand the conditions of work seem to be far from satisfactory as in the case of Freetown. Wage were significantly lower than the legal minimum wage, hours of work were longer, and yet only a quarter of the enterprises reported losing workers. Women participation, both as entrepreneurs and as workers seemed to be quite insignificant. Though some 40 percent of the entrepreneurs did not have any dependants, the average size of the household for the remaining was over six persons. About half of these households seem to have additional earners, though their contributions to household income was estimated to be only 38 percent of what the entrepreneurs earn.

And yet, the Lagos study shows that the average amount of capital per enterprise, mostly acquired through own savings, was around ₦450. Even though these figures are only a fraction of the capital labour ratio prevailing in the formal sector, it is remarkable that the informal sector generates respectable levels of income to the entrepreneurs.

Finally it is estimated that the informal sectors contributions to GNP of Lagos is ₦380 million (value added) which is indeed not an insignificant amount.

THE INFORMAL AND QUASI-FORMAL SECTORS IN CORDOBA (Argentina – Latin America) Carlos E. Sanchez, Horacio Palmiero and Fernando Fierero, 1976.

The town of Cordoba, capital of the province of the same name, is one of the three largest cities of Argentina, located in the centre of the country. Its population in 1976 is estimated to be 9,50,000.

The Cordoba study covered all enterprises with five or less number of persons (employed). Further, it sought to distinguish between high and low income activities, within the informal sectors itself calling them "quasi-formal" and "informal sector" respectively. Those enterprises with five or less number of persons employed an earning a high income either because of advanced skills or because of high capital intensity or because of aligopolistic market environment – were termed as belonging to the "quasi-formal sector" and the rest with low incomes as belonging to the "informal sector".

The number of persons depending on the quasi-formal and informal activities in Cordoba – including owners and paid and unpaid workers was estimated to be 138,000 or 37.6 percent of the town's economically active population. One of the interesting conclusions emerging from the study is the large proportion of female participation in the informal sector activities. Sixty three percent of the employed population (both head and wage workers) in the informal sector were women, as compared to only 23 percent in quasi-formal sector.

In terms of education, majority had under 8 years of schooling with a greater proportion of less educated and unskilled ones participating in low-income activities. Education and skill acquisition seems to be complementary.

The informal and quasi-formal activities in the city are dominated by trade, construction and service activities. Both the level of capital utilisation and the income generated is significantly lower than those in the formal sector. In fact, a large majority of the participants in the two sectors seem to be earning below the legal minimum wage.

The study revealed that most of the informal sector units in Cordoba did not have any hired workers, only 14 percent provided wage employment. Thus, the informal sector is mainly a source of self-employment rather than wage employment. It is also observed that only a small fraction of the sample units operated in fixed location implying lack of access to markets in choice locations as an important factor constraining their income and expansion. A greater proportion of those in low-income activities (70 percent) operated in their own residential premises.

Although the level of income generated in the sector was substantially lower relative to that of the formal sectors, the living conditions and access to urban amenities were significantly better as compared to African cities.

THE URBAN INFORMAL SECTOR AND INDUSTRIAL DEVELOPMENT IN A SMALL CITY : THE CASE OF CAMPINAS (Brazil – Latin America): Manoel Josth Berlink, Jose Maurari Bovo and Luis Carlos Cintra 1976.

The city of Campinas, located near Sao Paulo is an intermediate urban centre within the municipal of Campinas whose population in 1970 was around 3,76,000. Located in the centre of a region specialising in plantation crops, Campinas served "as the mouth of the Sertas" through which agricultural

production were funnelled for onward transmission to domestic and international markets.

The universe covered by the study included own account workers (with or without unpaid family labour) and small enterprises with less than ten wage workers. The interesting feature of this study is that it analysed the data collected with particular reference to the size of the units where size was measured in terms of capital.

The findings from this study revealed that a large majority of the selected enterprises had significant amounts of capital yielding income well above the legal minimum wage to their owners suggesting that the informal sector in Campinas is substantially better off as compared to the other city studies cited earlier.

It was observed that women participation is quite small, only 12 percent among the heads and 16 percent among wage workers. Unpaid family labour plays an important role. Only 22 percent of the heads were under 30 years of age. The medium level of education of the heads was only around primary level. Though migration is important in the sense that 78 percent of the heads were born outside Campinas, very few were recent migrants; over two-thirds has been in the city for longer than 10 years. Also, very few migrated from rural areas.

The study revealed a large majority of the heads had experienced occupational mobility. Perhaps this is largely related to the massive transformation from agriculture to industry, commerce and services that took place in the region. The average amount of capital possessed and income earned by these entrepreneurs

was substantially higher than in the city studies noted earlier. What is more interesting is that few encountered obstacles either in switching occupations or in starting their own enterprises and this seems mainly due to the fact that many had accumulated skills and capital from formal sector wage employment before entering the informal sector.

The study is also significant because the sector not only generated respectable levels of income to entrepreneurs but also experienced few constraints to growth and expansion. A large majority experienced increase in volume of capital, however small it may be. Only 6 percent of the enterprises experienced a decline in business.

Access to credit from the banks was however a problem as was the case in other cities too. Taxes seem to pose a constraint to expansion to a majority of the sample enterprises.

Finally, unlike many other cities, almost all of the informal sector enterprises in Campinas had fixed location and access to markets. Almost all of them were legal and a majority even paid taxes to the government, also most of them worked longer hours and six days in a week. The relatively better physical conditions and environment in which the Campinas informal sector operates can partly be attributed to little recent migration and partly to the mobility of entrepreneurs from formal sector wage employment to the informal sector.

The evidence suggests that the role of the informal sector is highly dependent on the size of the town/city, the role of migration and the stage and rate of economic development of the region.

OCCUPATIONAL MOBILITY AND THE INFORMAL SECTOR IN JAKARTA (Indonesia-Asia) Hazel Moir, 1975

Jakarta is one of the fastest growing cities in south-east Asia, from about half a million in 1930 the population increased to over 4.5 million in 1971. It is observed that migration has played an important role in the process of rapid growth of population. It is estimated that almost half of the employed population of over one million is engaged in the informal sector.

The study in Jakarta covered manufacturing construction, transport, trade and services activities and the sample was representative of all parts of the city.

The findings of the study revealed that the median household size was between five and six. Surprisingly, the proportion of single member household was only 2 percent. As much as 14 percent of the household had ten or more members.

The contribution of the informal sector to the total income generated in the Jakarta region was about 30 percent. Most of the participants were men and less than a third were below 30years old, though a greater proportion of the migrants were younger.

The median level of education seems to have been only three years or so. In terms of occupation, most of them belonged to either sales worker or production worker categories.

For nearly two thirds of the migrants, the informal sector seems to have provided their first job, emphasising the employment generation aspect of this sector. For many others, the sector facilitated their switch from agricultural to non-agricultural employment. Further, within the informal sector, a third seem

to have moved to different jobs though generally within the same occupational groups. Thus the sector seems to offer some job mobility. To some half of those who experienced job mobility, particularly the better educated ones, acquisitions of new skills seem to have facilitated their move. As elsewhere, informal sector sources of training played a dominant role.

Some two-thirds of the participants were satisfied with their current job and the level of dissatisfaction seems to be greater for better educated ones. Also, the less educated ones experienced less difficulty in finding a job.

Significant income inequalities within the informal sector seem to exist, partly due to differences in earnings between the heads and the workers. Since only a tenth of the enterprises engaged wage workers, much of the inequality seems to be the result of variations in capital and in the type of activity. The median daily wage of workers seems to have been around Rp.500 per day or Rp.3000 per week, which is substantially lower than the minimum wage prevailing in the formal sector. In comparison with the median earnings of heads (about Rp.7000 per week) it is less than half.

Notwithstanding the sizeable number of persons engaged in this sector most of the participant (over two thirds) lived in temporary structures with poor urban services and many operate their business in their own premises or in the same neighbourhood. These findings raise serious question; to what extent can improvements in the physical environment contribute to better working conditions and higher productivity and incomes in this sector? And to what extent can the development of this sector contribute to improved living and

working environment? These are indeed the major issues for initiating action oriented programmes in this field.

URBAN INFORMAL SECTOR IN A DEVELOPING ECONOMY: (Ahmedabad-India); T.S.Papola, 1977.

Ahmedabad, though predominantly an industrial centre with large scale cotton textile providing the economic base of the city, has also been a major trading centre with a large segment of many such industries which permit operation on small scale informal basis as well.

The sample size of the study consisted of 399 establishments employing less than 10 workers, distributed among manufacturing, trade and commerce and service on a proportionate basis. Three other sub-samples which included 487 regular workers of small establishments, 376 independent workers and 474 casual workers were selected. The total coverage of the study was thus around 1.1 percent of the estimated informal sector employment in the city.

The study revealed that 47 percent of the workers in Ahmedabad city are found engaged in economic activities in the informal sector. Three divisions of economic activity, manufacturing, trade and commerce and other services account for 78% of the total informal sector employment, contributing 24, 29 and 25 percent respectively, as compared to 44, 20 and 22 percent as their contribution in the total employment in the city. The study observed that a higher than 50 percent informal sector in terms of employment, may become unsustainable resulting into the virtual stagnation in the economy and further deterioration in the working and living conditions of workers in this sector.

It is estimated that the informal sector contributes around 28 percent of he GDP generated in Ahmedabad city; the informal sector establishments alone contribute 23 percent leaving only 5 percent to be shared between the independent and casual workers segments.

It also indicated that the segment of informal sector which shows a potential for making significant contribution to generation of employment and incomes consists of small establishments. The independent workers are doing well in terms of earning a livelihood, but their contribution to employment and income is very small; and on an average they hardly generate any surplus over their imputed subsistence wages, for reinvestment in their business. Within the establishment segment manufacturing has registered the fastest growth in output and employment and has also shown the most favourable employment – output ratio.

A turnover of Rs.1 lakh generates employment for 1.5 workers in manufacturing, 0.18 in trade and 0.25 workers services. Thus the manufacturing establishments alone seem to be the informal sector's hope for sustained growth. It was found that these establishments have a labour productivity quite comparable with their formal sector counterpart.

The study showed that the informal sector activities which have shown better performances and continue to have a good potential for growth of income and employment are the ones which are linked up with the formal sector in terms of market and technology; and therefore their growth is highly dependent on the growth of the formal sector.

An informal sector worker is on an average 8 years younger than the average formal sector worker, suggesting thereby that the formal sector attracts the fresh entrants in the labour market, more often than does the formal sector. There are only six females out of 100 informal sector workers, while their percentage is around 10 among the formal sector workers. An informal sector has undergone on an average, schooling for five years against eight years in the case of a formal sector worker.

Regarding migration, the informal sector has a smaller proportion of migrants among its workers than the formal sector in Ahmedabad. The migrants were generally young at the time of migration; four fifth of them were below 25 years of age, over two fifth of migrants came to the city with purposes other than seeking work, and 57 percent migrated with an economic motivation . From an analysis of their past history it was found that most of the migrants were pushed out of the native place rather than pulled by any definite prospects in the city. Majority of the migrants have not yet decided to be a part of the city in so far as they keep effective links with their native places. Majority of them pay regular annual visit to their native places, even though mostly for social purposes; 70 percent of migrant workers have dependants still living at the native place for whom they send remittances on an average of Rs.500 per annum.

Employment in the informal sector being predominantly of an "absorptive" character rather than determined by demand for labour at a given wage rate, the earnings of workers are much below those obtaining in the organised sector. The informal sector earnings, on an average are about fifty percent of those obtaining in the organised sector. Even though informal sector workers are certainly worse off than those in the formal sector in terms of earnings and security of work,

they still have availability of work assured on a continuous basis and have earnings which at least enable them to make both ends meet.

With an average number of 1.75 earners per family, the monthly household income of the informal sector workers averages to Rs.467 around one-fifth have less than Rs.200 per month, but they are mostly smaller sized families.

The housing condition of the informal sector workers is not miserable though it cannot also be considered satisfactory. Around 10 percent workers, mostly living alone, have no accommodation and live either on pavements or at place of work. But overwhelming majority of those who live with families in the city have independent accommodations and most of them have water sanitary facilities available independently.

URBAN INFORMAL SECTOR:(Jaipur -India) : Surjit Singh, 1992.

The city of Jaipur was and is noted through India and abroad for its skilled artisans, and their beautiful art work. It has a population of 1.52 million in 1991. It is estimated that the size of the informal sector in Jaipur in terms of the number of enterprises is around 96 percent and is growing. In terms of employment, the work force engaged in the informal sector accounted for 58.7 percent. The universe of the informal sector comprises all manufacturing, processing and servicing establishments, trading establishments and other establishments which employ less than 10 workers. The scope of inquiry was primarily confined to micro-businesses in the manufacturing sector with the employment size of 10 or less number of worker. The sample size of the study was around 350 enterprises only, covering the major activities in Jaipur city for an in depth analysis.

The study shows that the sampled manufacturing firms in a rapidly growing city, Jaipur, have most of the features of an informal sector enterprise though there are differences among the firms within the same activity. The location is fixed for most establishments and quite a few combine residences-cum –work place and almost all have permanent structures. Amenities like power and water is available with quite a few and a sizeable number of firms operates from rented premises.

Very few enterprises are reported to have made any modifications in their structure of operations and a large number had shifted from the original locations. A sizeable number of the firms are of recent origin and thus, age differences was noticed across the industrial groups.

Non-availability of capital was reported to be the major hurdle at the time of establishing the units. Also all enterprises are single owner units irrespective of the size of the firms. Majority of the entrepreneurs are of urban origin and the dominance of a particular community in some industries was observed. A fairly high proportion of entrepreneurs have 6 plus years of schooling which shows that most have better capacity to comprehend newer skills and technology.

The sector is predominantly male oriented though unpaid female members do participate in the production process. Apprenticeship whether in the family business or otherwise is the primary determinant of access to these activities. However, once an individual is accepted as an apprentice, skill acquisition period is invariably short and self-employed unit could be set up in a short time provided the resources are available.

It is observed that most of the entrepreneurs depend on internal sources such as own savings, relative and friends to mitigate their financial needs of capital and growth. Formal credit institutions are hardly seen to be playing any role in this sector's development, the reasons being complications in lending procedures and very long drawn processes. A large number felt that it was because of the smallness of the unit that they did not go to banks for credit while some were of the view that banks help only large units.

The view that self employment might be a panacea for labour surplus economies has been subjected to severe scrutiny. In the present study the jobs have been found to be tied closely to caste, clan or community for generation to generation. Like any informal sector enterprises the sampled firms too have family labour contributing to the product both as full time paid and unpaid workers and also as part time workers.

The average employment in these firms comes to 4.3 persons per unit (inclusive of the head of the enterprises). The labour force is young, more than half being of less than 20 years of age.

The average monthly wage bill per unit is Rs.3286 while the average wage per worker is Rs.1202. The average wage per worker ranges between a low of Rs.300 in jewellery firms to a high of Rs.2007 in the stone carving firms. There is an indication of child exploitation by these firms whether from within the family or without the family.

The average sales turnover for the sample as a whole turns out to be Rs.4440 per month with intra-firm variations. The capital intensity is to vary from Rs.50 to

Rs.20100; the average being Rs.1856. as regards the labour productivity, it ranges between Rs.167 and Rs.14,000; the average being Rs.1096.

A large proportion of the entrepreneurs reported net monthly earnings of Rs.3000 or less and there are inter-industry variations in income; the sample average income being Rs.2399. About three fourth of the entrepreneur reported improvement in their earnings since the start of the business though some also felt a decline in their earnings. The analysis suggests that there is scope for improving the returns to labour through skill up-gradation and training.

The enterprises invariably sell their goods on cash basis. A large majority do desire to expand capacity to produce, but feel the lack of bank credit as the most important bottleneck in the way of expansions of capacity. Government regulations, policies, lack of managerial skills to run a large enterprises, high turnover of workers, lack of demand for goods, raw materials, marketing facilities, etc. are some of the other bottlenecks encountered by a few enterprises.

On being questioned about the role of the state in helping them expand and increase their profits and viability the entrepreneurs response was easy credit, easy raw material supply, distribution of raw material through government and/ or co-operative outlets, liberal imports, by providing land, power etc. facilities for operations and sales, by preventing large units to produce similar goods by providing technical know-how and by removing license, registration, etc.

An overwhelming majority is satisfied with their present job/ occupation. To the query whether the entrepreneurs would like to change from the present

occupation if new skills are taught to them an overwhelming number was not for change under any circumstances.

The study also observed that it was surprising that most of the entrepreneurs were not aware of the government run training programmes to train workers. Of those who were aware of such training programmes the majority view was that such training programmes are inadequate, not useful, of poor quality and usually do not reach the people who need them the most.

Nevertheless, the study found that the majority of the entrepreneurs find their vocation having a promising future, though a minority expressed a foreseeable depressing future.

INFORMAL SECTOR IN GUWAHATI (India 1986) Dr. P. Deka, Dr. Dilip Medhi, Dr. B.K.Nath, Dr.G.Bardoloi

The above mentioned authors undertook a study of the informal sector in Guwahati as an assignment from the state bank of India, Guwahati.

The city of Guwahati which is rightly called the nerve centre of Assam and its six neighbouring states has a population of over 3 lakhs having a density of 6237 per sq. km. The estimated size of the informal sector employment as a percentage of total employment calculated for the study is 69.33 percent in 1985-86 in the manufacturing sector. For the sake of convenience, the whole informal sector identified on the basis of employment and other criteria was divided into two segments viz. organised segment and unorganised segment. The organised segment is that which has formal connection with the local authority in ways of obtaining a licence, a trade permit or a registration number.

In Guwahati city, activities like grocery, service, stationary, pan shop and small roadside hotel and tea stall are some of the popular activities among the low income group of people.

Of the unorganised segment of the informal sector 68.84 percent of all activities are run by the people having annual income of Rs.9000 or less and 37.87 percent with investment of Rs.5000 or less.

On the basis of the information so collected, 32 activity profiles were prepared. A study of these profiles gives an insight into various aspects of the socio-economic health of the households and the basic problems they have to face to run such activities. It is interesting to observe that besides economic constraints, accommodation, place to run the activity, parking spaces, restrictions in the movement of rickshaws, handcart, pony-cart, etc. are some of the most common problems of the informal sector.

It is also very significant to note that more than 90 percent of the households all seem to be contended with their present activity in a sense that they showed no interest to change their present occupations or activity.

Analysis of the income and education of the households in the unorganised segment reveals that nearly $3/4^{th}$ of the households have annual income of Rs.9000 or less and 87 percent are either illiterate or have less than 6 years of formal schooling. Rest of them are matriculate or with higher qualification but not a single person was found to be graduate or technically qualified.

Almost all the households showed interest to improve the condition of their activities by taking financial assistance but they are seen to be quite ignorant of the banking system or of the various schemes.

THE COMMON ATTRIBUTES OF INFORMAL SECTOR

From the foregoing deliberations of various studies and their findings on informal sector conducted in various countries the following common attributes of the informal sector can be presented:

1. The share of informal sector in urban employment in developing countries is anywhere between 20 and 70 percent, depending on the case in question and the definition adopted, the typical figure being in the range, 40 to 50 percent.

2. The proportion of urban regional income attributable to the informal sector is between 25-33 percent. What is significant about these findings is that it takes so little capital per worker in generating this income. They also emphasise the low capital requirements for creating jobs in the informal sector which is only a fraction of what is required in the formal sector.

3. Notwithstanding the low level of investment, the informal sector generates respectable levels of income to the entrepreneurs.

4. Informal sector is mainly a source of self-employment; however those entering the sector are generally poor and hence lack the necessary capital to start their own business.

5. Besides capital, entrants to this sector are in general confronted with constraints limiting their access to resources and markets, including skills.

6. A majority of the wage –earning employees in this sector receive wages below the legal minimum. It must, however be noted that the "average" marks more than it reveals for wages show systematic variation between different activities.

7. The evidence emerging from the study suggest that a strong link exist between migration and the informal sector. Migration from neighbouring countries in search of opportunities in the urban informal sector is an important feature. The findings also imply that not only migration is important but also that the informal sector provides significant opportunities for self-employment to recent migrants.

8. The findings of the studies indicates that the informal sector not only provides jobs for the jobless, but also facilitates the switch to non-agricultural occupations.
9. The level of schooling of participants was anywhere between 3-10 years, indicating that the informal sector absorbs persons with relatively little education.
10. Female participation in the informal sector seems surprisingly small between 11-38 percent only.
11. The studies show that formal sources of training such as government training institutions plays a minimal role. An overwhelming majority obtained their skills through the apprenticeship system or on the job training, mainly in the informal sector itself.
12. The impression that one gets from the above studies is that there is some upward mobility within the informal sector. Moreover, virtually all of them seem to view the informal sector as a permanent source of employment and income.

13. The informal sector with the use of very little capital generates respectable levels of income for a majority of the petty entrepreneur and for a substantial part of its workers. Most important of all, it provides a means of livelihood to many who would otherwise be jobless. The capital used by them is mostly generated from within; far from draining the scarce resources of the economy, it contributes to resource mobilisation.

From the above discussions, it is clear enough that many factors about the informal sector are unknown and each study has its own limitations since the selection of universe's also differ from one study to the other.

After analysing the scope and areas of study and their findings, it is our endeavour to cover the informal sector in Nagaland both in urban and rural areas. The main parameters in our study will be employment generation, income generation, migratory character of the entrepreneurs, age, education, financing pattern and to examine the government approach towards informal sector in Nagaland.

In the next chapter, the socio-economic profile of Nagaland has been analysed.

CHAPTER – III

SOCIO-ECONOMIC PROFILE OF NAGALAND

PHYSICAL FEATURES – ADMINISTRATION – POPULATION – SOCIO-ECONOMIC SETTING – AGRICULTURE – LAND AND LAND USE PATTERN – FOREST – FISHERY – GEOLOGY AND MINING – TRANSPORT AND COMMUNICATION – TRADE AND COMMERCE - ANIMAL HUSBANDARY - HORTICULTURE – SERICULTURE – TOURISM – POWER – INDUSTRY.

PHYSICAL FEATURES:

Location and boundary:

The state of Nagaland was constituted as the 16th state of the Indian Union on the 1st December 1963. The state, located in the far flung north-east corner of the Indian sub-continent lies between 25° 11'5" and 27°2'10" north latitude and 93°20' and 93°17'10" east latitude. It is bounded by Assam in the north and west, Arunachal Pradesh and Burma in the east and Manipur in the south having an area of 16,579 sq.km.

Relief and topography:

Broadly, the state can be divided into three physiographic divisions:

(i) The plains and the foothills in the extreme west and north-western side of the state.

(ii) The lower hill ranges in the intermediate zone.

(iii) The high hills in the east.

The topography is very severe, full of hill ranges with deep gorges and steep terrain's except some limited areas of fertile level ground along the river valleys which provide ample opportunity for agriculture. The altitude varies approximately between 194 metres and 3048 metres. Saramati in Tuensang district with 3840 metres above sea level is the highest peak in the state.

There are many streams and rivers in the state owing to its topography. Most of them dry up during the winter season but roar down torrentially in the rainy season. Doyang is the largest and the longest river in the state. The other important rivers are Dikhu, Jhanzi (Milak), Dhansiri, Tizu and Zungki.

Climate and rainfall:

The climate of Nagaland is controlled by the seasonal winds as in other parts of the country. The seasonal winds are the south-west monsoon and the north-east monsoon winds. Summer season is moderate to hot and winter season is cold. Maximum temperature even in the hills may rise upto 25°c in July and August, while the minimum may go down to even O°c in winter in December and January. There is, however regional variation in temperature.

The average annual rainfall varies from 150cm to 280cm and the rainfall is heavy during monsoon. There is an areal variation in rainfall. The northern part of the state receives a higher amount of rainfall than the southern part.

Soil:

The variation in altitudes ranging from 300 metres to 3300 metres has given rise to diversity in climate and vegetation within the state of Nagaland. This coupled with the geological formation has influenced the process of soil formation.

The valleys and foothills are made up of alluvial and colluvial soils. In the higher altitudes and in the higher ranges there are mainly residual soils. Owing to the repeated jhuming in the hill slopes, the soil is subjected to severe soil erosion and the soil is highly acidic due to high leaching. This condition brings about depletion in soil fertility and low productivity. Most of the soil are very rich in organic carbon but poor in phosphate and potash content. The P^h value ranges from 4.5 to 7.0, while the organic carbon content may be as high as 2.943 percent.

ADMINISTRATION:

Nagaland has 8 districts comprising of Kohima, Mokokchung, Wokha, Zunheboto, Tuensang, Phek, Mon and Dimapur. The state has 34 sub-divisions, 9 towns, 1226 villages, 52 rural development blocks and 1036 village development boards and village development councils.

POPULATION:

According to 1991 census, the population of Nagaland is 12,09,546 consisting of 6,41,282 males and 5,68,264 females. A study of the net additions to the population reveals that there has been a continuous growth since 1901. This is evident from the following table:-

TABLE 3.1
Population trend in Nagaland 1901 to 1991

Year	Persons	Decadel variation	% decade variation	Males	Females
1	2	3	4	5	6
1901	101,550	---	---	1,473	50,077
1911	149,038	+47,488	+46.76	74,796	74,242
1921	158,801	+9,763	+6.55	79,738	79,063
1931	178,844	+20,043	+12.62	89,536	89,308
1941	189,641	+10,797	+6.04	93,831	95,810
*1951	212,975	+16,309	+8.60	106,551	106,424
*1961	369,200	+28,975	+14.07	191,027	178,173
1971	516,449	+147,249	+39.88	276,084	240,365
1981	774,930	+258,481	+50.05	415,910	359,020
1991	1,209,546	+434,616	+56.08	641,282	568,264

*In working out decadel variation and percentage decade variation 1951 and 1961, population of Tuensang district has not been taken into account as the area was censused for the first time in 1951.

*In 1951, Tuensang was censused for the first time for 129.5 sq.km of area. In 1961 census, the census area of Tuensang district was increased to 5356.1 sq.km.

(***Source***: *Population census 1971/1991*)

A disturbing element that can be observed from the above table is the phenomenal decennial growth rate during the last two decades, which is above 50%. The decennial growth rate during the decade, i.e, 1981 to 1991 recorded 56.08 percent which is double the national growth rate of 23.88 and is also the highest compared to other states of the country.

The average density of population is 73 per sq.km as against all India figure of 267 per sq.km. The density of population is therefore, low compared to other states of the country and this varies from region to region within the state. The hilly areas are sparsely populated and the plain areas are relatively denser. Importance of a district and size of a tribe also influences concentration of population. Thus, population is more concentrated in Kohima, Mokokchung, Zunheboto, Phek and Mon districts.

Majority of the population is in the rural areas which accounts for 82.78%. According to 1991 census rural population stands at 10,01,323 where as that of urban areas is 2,80,223. The scheduled tribe population is 1,060,822 which constitutes 87.73% of the total population.

Statistics of migration into the state and migration from the state are not available for the period 1901 to 1991. Under such circumstances it is not possible to explain whether migration was responsible for the phenomenal growth rate in the state. However, it would not be wrong to say that due to closed nature of the state's economy till date, immigration and emigration were insignificant factors in determining the growth rate of the population in Nagaland.

It may be noted that though the present growth rate of population is actually high, the total is not significantly high, when considered in relation with the density of the population. Yet, such a high rate of natural increase in population is of great significance for development planning. It clearly underlines the necessity of a scientific man power planning and of accelerating the rate of economic development of the state. If the rate of development cannot outstrip the rate of increase of population there will simply be more people at subsistence level of living.

SOCIO-ECONOMIC SETTING:

The economic development of a country depends to a large extends on the human factor. Non-human factors like natural resources and capital stock are no doubt important but the human factor is of primary importance in economic development. It is the human factor, in the form of entrepreneur and labour that help in turning the material resources of the country into useful goods and services. The usefulness of the human factor depends on the prevailing socio-economic setting. Socio-religious institutions, cultural and social values which together shape the outlooks, attitudes, habits and other qualities of the people. Lewis says "development is a state of mind. People have to develop themselves before they can change their physical environment.....habits of thought and conduct are the most stubborn obstacles to development". [1]

The people:

The population of Nagaland is almost tribal. There are as many as seventeen Naga tribes as recorded in 1991 Census with their own distinctive language and

[1] Lewis W.A., The theory of Economic growth, London 1965.

cultural features. They are Angami, Ao, Chakhesang, Chang, Chirr, Khiemnungam, Konyak, Lotha, Makware, Phom, Rengma, Sangtam, Sema, Tikhir, Yimchunger, Zeliang and Pochuri. Besides, some Kukis, Kacharis, Garos and Mikir (who are listed as scheduled tribes of Nagaland) as well as some plain people inhabit the plain area of the state.

Among the tribes, the Konyaks are the largest tribe followed by the Aos, the Semas, the Chakhesangs and the Angamis. All the tribe have their own specific area of residence. Kohima the district-headquarter is the home of the Angamis, Rengmas and Zeliangs. Mokokchung district is chiefly inhabited by the Aos, Wokha by the Lothas, Zunheboto district by the Semas, Phek district by the Chakhesang and Mon district by the Konyaks. Tuensang district is populated by some nine tribal language groups namely Sangtam, Phom, Chang, Khienmungam, Yimchunger,Konyak, Tikhir, Makware and Chirr as inhabitants. Dimapur which was earlier under Kohima district was declared as a separate district in 1999. The major tribes inhabiting this district are Angamis, Semas, Aos, Lothas, Chakhesnags, Kukis and some plain people.

As mentioned earlier, the tribes are not homogenous, each tribe speaks its own distinct dialect. Member of one tribe can communicate with those of the other tribes only through Naga-Assamese or among the more educated through English. Each tribe has traditions and costumes which are peculiarly their own; their mode of dressing, songs and dances, marriage customs all differ.

The social life of each tribe or village is regulated by the tribal or village councils. The regulation act of 1945 gives power to the tribal councils to try criminal as well as civil cases and to impose fines. So long as the parties belong

to the same tribe, all civil suits are tried by the council. The punishment inflicted by the council is according to their customary law.

The agrarian society of pre-nineteenth century of Nagaland consisted largely of self-sufficient village community. In the villages the cultivators and the artisans lived and work together and exchanged their products and services. Farmers seldom employed hired labour in their field. Naga people in those days were hard working, honest and sincere. People lived in harmony and co-operation.

Today with the advent of modern civilisation and with the expansion of developmental activities after the attainment of statehood, the tribal economy is experiencing the impact of a fast enlarging money economy. Modernity has no doubt brought many boons to the people but it is also an undisputed fact that the bad effects of a capitalistic money economy are pronouncedly evident in different spheres of Nagaland. Earlier, the agricultural produce was a symbol of richness which today is displaced by money as a new symbol of wealth. Likewise actual quantity of products was considered as wealth in those days but now production has become irrelevant , because money has taken its place which can be acquired easily if one has the right connections. The result is that a new class of rich people lacking entrepreneural spirit and devoid of the sense for economic production has been born. As a consequence wealth is concentrated with only a few elite class of people and the gap between the rich and the poor is widening.

Another evil that has emerged in the Naga society is that majority of the people looks for white collar jobs in the government offices. The huge amount of grants

provided by the centre has certainly spoiled the people. Spirit of entrepreneurship is very much lacking even when loan or subsidies are granted to start a project. In many cases money is being misused or mismanaged and is used for buying perishable goods or products of modern comforts.

Besides smuggling in all sorts of things are rampant in the state capital effectively killing an incentive for local production while at the same time damaging the state economy too. There is also a big demonstration effect which spoils the consumption habits of the elite class, while at the same time, in the interior villages there is abject poverty.

Physical labour today ranks very low in social estimation of the Naga generation. Except in a few districts like Kohima, Mokokchung and Tuensang, hardly any Nagas would be seen engaging in porter, manual labour and construction works in the urban areas. This social stigma has permeated even to some of the rural areas. Nagas especially the youths do not come forward to engage themselves full time in some kind of profession to earn their livelihood, even the work of hair cutting is done by outsiders which offers tremendous employment scope with so little of investment required. Further, majority of the people in Nagaland do not have saving habits. People love to squander money till they exhaust all that they have. Perhaps one reason for this loose attitude towards money is the means of acquiring it without giving much of an effort, provided the right connections are made. In such a situation no visible growth in the economy can be expected. Investment is not possible without savings and no development can take place without significant investment.

The working force:

The census of 1991 recorded 5,16,234 workers out of a population of 1,20,9546. This gives a participate rate of 42.68% which is apparently higher than the all India average of 34.46%. In fact such a participation rate is common to all tribal areas and does not necessary signify excessive pressure on manpower. This phenomenon is consistent with much idleness and high level of underemployment. As tribal societies give equal status to women they participate fully in economic activities.

In this respect participation rate is influenced by the social structure. It is also influenced by economic factors. Most tribal societies have not gone beyond the stage of utilising rudimentary implements and in many cases even the available animal power is not harnessed. With such technique the labour input per unit of output in tribal societies is bound to be comparatively high.

Among the Nagas, practically every able-bodied person works. Women who participate shoulder to shoulder with men in the fields, get equal status, even small children help in carrying loads and in fetching water and fuel from the woods. Men cut down trees, clear the shrub and the under growth, burn it and get the jhum ready for cultivation. Women assist in sowing, scaring away birds and animals, harvesting and threshing and carrying harvest home. Women also do the pounding of rice and chillies, the work of fetching water and fuel is mainly the responsibility of women. Men cut wood, chop and pile it on the roadside near the jungle. Building and repair of the dwelling is mainly the men's job. Women learn from an early age to weave and assume full responsibility for clothing the family. By and large men mainly do works involving the use of the dao or the spear. Other work is done by women with the men sharing in the heavier chores. It is generally common among the tribals in India as well as the

non-tribal hill people in the Himalayas, where the patriarchal social organisation gives authority to males, to make the women work more than the man. This does not appear to be the case with the Nagas; the authority sanctioned by the patriarchal society to the males in the family is not utilised generally to exploit the labour of women for earning the privilege of leisure.

Livelihood pattern:

Agriculture, which is the main occupation of the people is principally based on Jhum cultivation engaging about 63.30% of the total population, such modes of production can hardly allow any scope for generation of surplus that can be invested for other pursuits.

The rest of the working forces are engaged in tertiary activities and services of different types. There is no appreciable manufacturing activity in the state. The break up of main workers percentage to total population is given in the table below: -

TABLE 3.2
Break up of Main Workers in Nagaland

	Activity	Percentage to total population	Amount in Number
1.	Cultivators	30.72	3,71,573
2.	Agriculture labours	0.60	7,257
3.	Livestock, forestry, fishing, hunting, plantation, orchard and allied activities	0.48	5,806
4.	Mining and quarrying	0.03	363
5.	Household	0.16	1,935
6.	Other than household industry	0.56	6,773
7.	Construction	0.75	9,072
8.	Trade and commerce	1.35	16,329
9.	Transport, storage and communication	0.38	4,596
10	Other services	7.27	87,933
Total main workers			**5,11,637**

Source: *Census of India 1991*

Apart from agriculture and allied activities, the Nagaland state government is the major employer employing 62,064 employees as on 31st March 1996. The rates of government employee to the total population as on this date is 1:20

Unemployment situation :

In Nagaland no N.S.S. data is available about the unemployment situation, but considering the states economy as purely agricultural, it has to be realised that a large percentage of the people, though partly employed on agriculture are not fully employed. Further due to the prevalence of extensive Jhum cultivation, the productivity is very low, which is another factor contributing to the poverty of the people.

According to the report of the Department of Employment and craftsman training there are 35,463 applicants on the live register of the employment exchanges in 1999. Educational qualification break-up of the applicants remaining on the live register is as under:

a. Post Graduate	=	338
b. Graduate	=	2,620
c. P. U.	=	5,191
d. Matriculate	=	13,410
e. Below Matriculate	=	13,904
Total applicants	=	***35,463***

Source: *Directorate of Employment and Craftsman Training*

Although this number looks small, the position will have to be reviewed from various angles. The people are yet to be sufficiently conscious to get their names registered in the employment exchanges. Therefore it is very difficult to make a correct assessment of the unemployment situation in the state. Moreover , there is a problem of high rate of dropouts at the elementary and matriculation stages which adds another dimension to the unemployment situation.

AGRICULTURE:

Agriculture is the principal and major occupation of about 73.38% of the working population in the state. However, it is of the rudimentary nature of cultivation with small and declining size of land holdings.

Jhum (shifting) cultivation is extensively practised and is accepted as a way of life in most districts except in some areas of Kohima and Phek where terraced rice cultivation is practised. Such conventional and rudimentary technique of cultivation involves high labour input while the per unit output is marginally low. Shifting cultivation involves cutting, clearing and burning of weed cover or even forest; growing of mixture of different crops, viz., paddy, maize, cotton, millets and vegetable etc. on the cleared land with simple technology under rain-fed conditions and shifting to new sites when soil get exhausted and the yield deteriorates due to soil erosion.

The jhum cycle which refers to the period of rest allowed to jhum land for recoupment of fertility, has shrunk progressively from about 5-7 years due to enhanced needs of increased number of mouths with the prevailing trends and steady rise in population. The cycle is bound to shrink further, threatening the ecological imbalance and economic prospects as a result of rapid deterioration in the soil productivity.

Out of the total farming household of 1,35,900 numbers, 18% depends on irrigated farming 30% practises combined irrigated and jhum and the rest 52% depends entirely on jhum practises. "It is estimated that with the existing population growth rate, the population of the state would be 15.50 lakhs by the end of the 8th five year plan with the requirement of food grains to the tune of

3.60 lakh M.T. as against the existing production level of 2.30 lakh M.T. which means that the state will have a deficit of 36% in production of food grains by the end of the 8th plan".[1]

The main staple crop of the state except in some parts of the eastern region is rice. It is followed by millets, maize, wheat, pulses and taro. Sugarcane, oil seeds and fruits are the important cash crops in the areas adjacent to Assam. Besides, other crops like tea, coffee, cardamom and fruits have tremendous potential for commercial production.

The areas and production under principal crops in Nagaland during 1962-63 and 1996-97 are given below:

TABLE 3.3

Areas and Production Under Principal Crops in Nagaland

SL. No	CROPS	REFERENCE		YEAR:1962-63,1996-97	
		1962 - 1963		1996 -1997	
		Area (Ha)	Production (MT)	Area (Ha)	Production (MT)
1	2	3	4	5	6
1.	Rice	57,150	48,678	1,40,000	1,53,000
2.	Wheat	-	-	2,000	5,000
3.	Maize	8,175	5,025	32,000	33,500
4.	Other cereals	20,178	8,475	14,000	9,700
5.	Pulses	2,903	1,216	12,000	10,900
6.	Oil seeds	1,867	751	26,800	21,680
7.	Spices	1,254	786	3,038	24,359
8.	Sugarcane	-	-	3,500	1,25,000
9.	Potato	450	2,500	3,750	30,000

Source : *Status note on existing agricultural practises in Nagaland Oct. 1997. Submitted by the department of Agriculture, Government of Nagaland.*

[1] Status note on existing Agricultural practices in Nagaland. October, 1997 – Submitted by the Department of Agriculture, Government of Nagaland.

It is evident from the above data that there has been a tremendous up-surge of agricultural activities in Nagaland since the inception of its statehood. Though there has been set backs in certain years, it has been possible to increase the area of cultivation for different agricultural crops and their production.

LAND AND LAND USE PATTERN:

As agriculture is the main occupation of the people of Nagaland, land is the most important resource. It is interesting to note that unlike other parts of India, fragmentation of land is not a vexed problem in Nagaland because of the tribal system of land ownership, tenure and use. All the lands belong to the villagers, except a small portion of forest as reserved and protected by government. Since the lands belong to the villagers, there is hardly any pattern system. Individual lands may occasionally change hands but generally remain within the village.

The ownership of land and the individual right to use it is almost exclusively determined by tradition and what is loosely referred to as "customary laws" and yet very effectively applied. In the event of any dispute, these laws are interpreted by the traditional village councils.

The land use pattern in Nagaland is given in the table below.

TABLE 3.4

Land pattern in Nagaland.

SL.NO	Categories	Area (Ha)	Percentage
1.	Government forest land	1,00,420	6.05
2.	Private	7,53,352	54.44
3.	Land under jhum	6,25,350	37.75
4.	Irrigated land	66,660	4.02
5.	Land under infrastructure, town, village and road	1,12,118	6.77
	Total Geographical area	16,57,900	100 %

Source: *Department of Agriculture Oct. 1995.*

FOREST:

The luxuriant evergreen forests are nature's precious gift to Nagaland and they occupy an area of approximately 8,62,930 hectares in 1999. Forest area under government control is 100,823 hectares and the rest 7,62,107 is under village forest. The classification of forest area in 1995-1996 is shown in the table below:-

TABLE 3.5

Classification of forest area (area in hectares) 1995- 96.

Sl. NO.	Particulars	Forest Area (Ha)	Percentage of total forest area
	1	2	3
1.	A) Reserved forest	8,583	0.99
	B) Purchased forest	19,247	2.23
2.	Protected forest	50,756	5.88
3.	Village forest		
	A) Virgin accessible forests	4,77,827	55.37
	B) Virgin Non-accessible forest	2,84,280	32.94
	Degraded forest		
4.	Wild life sanctuary	22,237	2.58
	Total	8,62,930	100.00

***Source**: Statistical handbook of Nagaland, 1997.*

Nagaland is rich in green vegetation because of the good soil conditions, heavy rainfall and equable climate. The climax formation, being the sub-tropical and temperate moist evergreen forest with dense floor cover of herbs and shrubs. In the southeast, the tree crop is largely coniferous. The shifting cultivation

practised by the local population for centuries has, however had its deleterious effects. The virgin forests are now confined mainly to the uninhabited and inaccessible high mountainous regions. In the remaining areas, the original vegetation has been cleared and burnt for jhum cultivation.

In the jhum areas, secondary vegetative growth consisting of grasses, shrubs and fast growing broad-leaved softwood trees comes up gregariously after active cultivation ceases. Repeated clearings however result in complete degradation of vegetative cover leading to soil erosion.

Most of the forests are rich in commercial species such as Nahor, Hollock, Mokai and economically important species for trade such as Tita sopa, gomari, mango, gonsoroi, lali, bhelu, gogra, bogipoma, bonsum, etc. and these forest are located at the foothills adjacent to Assam state where plywood industries are a ready consuming market. Since most of these forests are under the village community, the essential need prompted the people to exploit the resources at uneconomical rates on the demand of the timber industries.

Bamboo is found in the damp locations along streams and rivers and occur as an almost continuous fringe on the border with Assam, where heavy felling of trees have opened up the forests. The coniferous forest is confined to the Burma and Manipuri borders, on ridges of moderate to steep inclines and occur gregariously. There are large blocks of virgin forests scattered throughout the state, mostly on ridges and peaks. Although owned by the people, they are only marginally exploited on account of their inaccessibility. These forest are found in Tuensang district along the Burma border, in areas beyond Phek towards Meluri, in areas around Peren, Chalkot, Henima, Zunheboto, on the spurs of the Barrail range from Khonoma upto Pauna and in the Namsa, Tizit areas.

The main types of forest found in Nagaland are

(a) Sub-tropical moist deciduous and semi-evergreen

(b) Sub-tropical evergreen (rain forest).

(c) Temperate evergreen

(d) Sub-tropical coniferous and

(e) The biotic type of jhumland.

The better types of forests are confined to the flatter valleys in the northern (Konyak) and southern (Kuki-Zeliang) areas bordering Assam, the more inaccessible mountain tops and along the Burma border. Most of the existing reserve forests are located in the western part of Assam border.

According to the national forest policy at least 60% of the geographical area in the hilly states should be under forests cover to prevent soil erosion and degradation of land and to maintain the stability of the fragile ecosystem. In Nagaland forest area constitutes 52 % of the total geographical area of the state which is sufficiently close to the national norms.

The share of forestry and logging towards the net state domestic product at factor cost at current price is 3.78 percent in 1993-1994.

FISHERY:

Fishery activities in the state, by and large relate to the in-land fish only. Marine fish activities are totally non-existent. The fishery resources of the state are meagre comprising of about 50,000 Ha. of lentic and 1600 km of lotic surface. Of these also, the utilisation percentage is low, being about 3.64 percent of lentic resources. The state is also bestowed with numbers of hills streams terrain but

the fish population is less resulting in meagre production. The upper reaches of most of these rivers/streams are suitable for culture of trout and other cold water fishes.

TABLE 3.6

Potentiality of Fishery Resources:

Sl. No	Sources	Estimated area (in Ha.)	Area under utilisation (1991-92)	Percentage of Utilisation
1	2	3	4	5
1.	Ponds/tanks	50,000	1,819 Ha	3.64%
2.	Paddy field	56,000	1,300 Ha	2.32%
3.	Streams/Rivers	1,600 kms	20 Ha	1.25%
4.	Beels/Swamps	200	-	-
5.	Lake/Reservoirs	17,500	-	-
6.	Others	31,000	-	-
	Total	1,62,700 Ha.	3,217 Ha	2%

***Sources**: Status note on existing agricultural practises in Nagaland.*

During the last two decades, fish production in the state has been increasing gradually. From 485 M.T in 1985-86, it has gone upto 3500 M.T. in 1996-97. However, the state has still a long way to go to attain self-sufficiency in fishing. According to an estimate made by the state department of fisheries the total requirement of fish in 1989-90 is 28,000 M.T. while the state could produce only 10,000 M.T. Thus, causing a deficit of 18,000 M.T., which is to be imported from other states. The production of fish during 1994-95 in the state was 2500 tonnes which is sufficient to supply just 1.89 Kg/capita to its populace

of cent percent fish eating people. This per capita availability of fish is one of the lowest within North-eastern region.

The contribution of this sector of the economy to the net state domestic product at factor cost is Rs.516 lakhs in 1994-95, which is 40% of net state domestic product.

GEOLOGY AND MINING :

The importance of mineral development for industrial and economic upliftment of the state and the nation at large is well known and needs no emphasis. The mineral wealth forms the backbone of the economy and its exploitation is directly linked with the standard of living of the people. The Directorate of Geology and Mining of the state of Nagaland has made a very significant headway since its inception in 1968. It would be relevant to mention here that prior to the establishment of this department, very little was known about the Geology and the mineral resources of the state since it remained unexplored because of the difficult terrain, inaccessibility and the prevailing disturbed political conditions. Except for some perfunctory traverses made by the Assam Oil company, Geological survey of India, ONGC etc in the outer hills of the state where occurrences of coal and oil were reported, the remaining part of the state, specially the eastern high hill areas remained a terrain incognito. It was only after the inception of this department that some important mineral deposits were discovered bringing a new dimension in the field of mineral development in the state. The exploration programmes of the department has unravelled a very promising mineral potentiality of the state. Discoveries include large deposits of chromium, nickel, cobalt bearing magnetite- one of the most promising mutimetal mineral finds in the north eastern region, encouraging prospects off copper, lead, zinc, molybdenum, silver, gold, etc. deposits of slate, clay and calca tufa materials.

The work done by the department has brought to light a mineral rich, "geological belt" known as the "Ophiolite complex" about 90km long and 6-10 kms wide occupying the most inaccessible and rugged terrain in the eastern most part of Phek and Tuensang districts, bordering Burma. The "Ophiolite complex" in which the mineral deposits like occurrences of chromium, nickel, cobalt, copper, lead, zinc, etc. have been discovered hold great promise for metallic and non-metallic mineral deposits in future.

Besides, the department of Geology and mining with the co-operation of the Oil and Natural Gas Corporation Ltd. has carried out exploration for oil and natural gas. Reserves of 20 million tonnes with a recoverable reserve of approximately 6 million tonnes (valued at Rs.2400 crores) has been established from the Champang oilfields on trial basis. Thus, the state has vast potential to boost up the economy if these resources are explored and tapped carefully in a planned manner.

TRANSPORT AND COMMUNICATION:

Transport and communication has an important role to play in the economic development of a state. The existing transport system in the state consists of road, air and rail, of which road system is the most predominant. The state has a total railway length of 9.3 kms with Dimapur as its railhead and has a national highway of 103 kms, the repair and maintenance of which is being looked upon by the government of India.

Recently, the broad gauge railway line extended to the state has been completed and the Rajdhani express train services has been introduced connecting Dimapur and Delhi. Further, the state highway connecting Kohima-Wokha-Mokokchung-

Amguri road has been upgraded recently to National Highway 61, which will lead to the improvements of road systems in the state.

Apart from the National Highway, the total road length of the state is 7960 km comprising of state roads, district roads, rural roads and roads under the care of Border road organisation. The total length of the Public Work Department road was 6509 km in 1995-1996 for which it is responsible for the repair and maintenance.

The border road organisation has been rendering yeoman service towards the state's road transport development. It has so far completed construction of 1451 km road connecting various districts in the state.

The Nagaland state transport corporation operates on 60 routes with a fleet of 223 buses covering all the districts in the state. Besides, some other private sector transport organisation is also operating in the state.

Communication system in the states constitutes the post and telegraphs and telephone services including network of All India Radio (AIR) and Doordarshan, which are central government subjects.

The share of this sector towards the Net state Domestic product in 1993-1994 works out to 5.17%.

The role of better communication in the development of a backward state like Nagaland need not be elaborated. Yet it is lamentable to note that the roadways of the state are still in poor condition. Besides, the states economy is structurally

agrarian in character and the settlement pattern is purely rural oriented and therefore, the road transport constitutes a critical element of transformation.

TRADE AND COMMERCE:

In olden days the Nagas carried out trade on barter system with the neighbouring tribes as well as with plains men. This practice is still continuing in a marginal way in some remote parts of Nagaland.

Nagaland is primarily dependent on imports from outside the state for their material and physical needs. Except for a few items of goods like forest products, handicrafts, handloom and some vegetables that are locally produced. Almost all items that are bought and sold in the market comes from outside the state. The items of imports are :-mill made clothes, foot wear, cosmetics, food stuffs, groceries, all sort of cooking pots, watches, text books, stationaries, agricultural tools and implements, electrical goods, building materials such as CGI sheets, steel rods, cement, sand, paints, hospital equipment's, medicines, sanitary materials, luxury goods and all other modern necessities.

These goods are mostly being imported from states like Andhra Pradesh, Maharashtra, Rajasthan, Gujarat, Nagpur, Bihar, U.P, Bengal, Punjab and Assam.

An element of concern in the functioning of trade and commerce in the state is the pre-dominance of outsiders in this activities who have better skills, strong financial support and business links outside the region.

To promote the trade potentials of the state, recently two border trade centres have been established at Longwa and Pangsha which are expected to open up a new vista in commercial activities. Besides, the proposed international super highway (4 lane highway) which is to pass through Nagaland offers immense potential for the development of trade and commerce in the state.

Banking and insurance net-work in the state is not as large and wide as it is in the other parts of the country. The records however indicate that there is a steady growth in the functioning of this sector in the state. The state has 91 bank branches, 43 nationalised banks, 23 commercial banks and 31 regional rural banks as on September 1994. The area wise distribution of bank branches in the state is 51 in the rural areas and 45 in the semi-urban and urban areas. The nationalised banks along with the net work of other commercial banks and state sponsored rural and co-operative banks are extending credit facilities to the agriculturists, entrepreneurs, artisans and so on. The deposits and advances of all scheduled commercial banks as on March 1997 stands at Rs.489.57 lakhs and 117.68 lakhs respectively. Likewise, the deposits and advances of regional rural banks in Nagaland as on 31st March 1997 are Rs.1.65 lakhs and 0.73 lakhs respectively. It can be observed that the savings habits of the rural areas need to be improved if investments are to take place- a necessary corollary for improving the economy. The contribution of this sector (trade and commerce) to the net state domestic product is Rs.25530 lakhs in 1993-1994 which is approximately 29%.

ANIMAL HUSBANDRY:

Animal husbandry is important for the people of Nagaland because of their food habits. Meat is consumed in large quantity by all rich and poor and serves as the

main food item in their diet. Meat is used extensively in marriages, festivals, feasts and social gatherings. Therefore social functions are considered incompatible without the use of meat.

Meat being the most important food item for the Nagas, the development of animal husbandry has significant importance in the economy of Nagaland. However, livestock and poultry production in the state still remains much below the minimum requirement of the state. (as a consequence, the bulk of meat requirement in the state is imported from other states like Bihar, U.P, Assam, A.P., and other neighbouring countries like Bhutan and Burma).

As per the livestock census 1992, the total number of cattle is 330,663, buffaloes-34,397, sheep-1922, goats-148,754, pigs-5,26,201, horses and ponies-6458, Mithuns-25,988, other livestock 76 and poultry-19,73,061.

It is estimated that cows and pigs worth Rs40 lakhs coming to Dimapur from outside the states is being consumed daily in the urban areas (district headquarters) of the state, excluding those that come from Manipur and Burma areas. Likewise an equal amount or more may be consumed in the rural areas daily considering the concentration of population in the rural areas. It can be safely estimated that the share of local production to imported livestock and poultry will be about 10:90 ratio respectively.

As a result, crores of rupees are being drained out of the state every year. Similar, is the case with other livestock and poultry items

The present poor economic condition and insufficient animal production is the result of neglect shown to this sector, even after the implementation of several five year plans. Animal husbandry if developed properly, the state will be able to increase the revenue and retain the outgoing money within the state.

Thus, it is evident that animal husbandry if developed properly will greatly influence the state's economy by generating revenue and create avenues for employment.

HORTICULTURE:

The state of Nagaland offers a very favourable set of soil and agro-climatic conditions for growing of different types of Horticultural crops, including fruits, vegetables, flowers, plantation crops, tuber and rhizomatous crops and crops of medicinal and other economic values. Amongst many horticultural crops, the fruit grown in Nagaland ranges from sub-tropical fruits like banana, pineapple, papaya and citrus to temperate crops like apple, pears, plum, peach and other related varieties of fruits. The state has rich diversity of different vegetable crops both indigenous tropical and temperate. The regions in the higher altitudes are very much favourable for growing temperate vegetables. Tuber and rhizomatous crops like tapioca, sweet potatoes, yam, colocasia and ginger grow abundantly in the state, while plantation crops like coffee, large cardamom and tea are also doing well.

Although the state has the potentiality for Horticulture development, yet the present state of Horticulture Industry is not very sound. The main drawbacks in the development of Horticulture in Nagaland is lack of research information,

lack of post-harvest technology, lack of storage facilities, lack of proper transportation and communication and poor marketing facilities and regulations.

Farming being the main stay of the people of Nagaland, development of horticulture will markedly improve economy of the farming community and the state as a whole, provide new avenues of employment to both rural and urban population, and open up interior and backward areas for development. Establishments of orchards and planting of plantation crops on hilly slopes will prevent soil erosion and solve the problem of shifting cultivation.

SERICULTURE:

Sericulture is an important cash crop activity in the Agro-based industry sector. It is generally a rural based activity that is normally practised by the poor farmers community in the rural areas. By taking up cultivation of silkworm host plants and rearing activities, maximum employment providing multiple crop harvest with good source of financial income from time to time are generated at frequent intervals. The activities can be easily taken up by every member of the family household starting from a minor to an old aged person and household women folk of the society, especially those who cannot do much hard labour. Therefore, it is rightly known as poor man's occupation.

There are four different species of silkworm that are being reared in Nagaland namely, Eri, Mulberry, Muga, and Oak tasar. Eri and Mulberry silkworms are reared indoor that can provide a minimum of 4 – 6 crops in a year. Whereas, Muga and Tasar silkworms are reared outdoor by mounting the silkworms on the host plants and provide at the most 2 crops in a year. Hence, in Nagaland the

department of Sericulture emphasise on introducing Eri and Mulberry culture only, in private sector which offer better economic prospective.

The state has good soil and climatic conditions favourable for growing different types of food plants for the above species of silkworms. Thus, these host of plants are abundantly grown and intensively cultivated in Nagaland. The government has set up nurseries and grainage for supply of saplings and silkworm seeds to meet the demands for both departmental and private farms. Besides the NEC has also helped to finance certain sericulture farms such as Chesema, Chuchuyimlang, Baghty, Samaguni and Dansiripar.

TOURISM.

Nagaland with its beautiful and breath taking landscape, lush green forest, exotic flora and fauna, colourful and rich culture has immense potential for development of tourism. The state consists of 8 administrative districts, inhabited by 16 major tribe along with other sub – tribes. Each tribe is distinct in character from the other in terms of customs, language and dress. Each of the 16 odd tribes and sub – tribes that dwell in this exotic hill state can easily be distinguished by the colourful and intricately designed costumes, traditional ceremonial attires, jewellery and beads they adorn.

Nagaland is blessed with salubrious climate throughout the year and so one can visit it anytime of the year. For the adventurous and the intrepid, Nagaland offers an ideal place for trekking, rock climbing, jungle camping and offers limitless exploration possibilities in its lush and green sub-tropical rain forests which is also full of medicinal plants.

Nagaland is also home to not less than 360 different types of orchids and the Bulbophyllum species, thought to be extinct for the past 100 years was surprisingly rediscovered in Nagaland during 1991. This land of great floristic diversity boasts of the tallest Rhododendron in the world as listed in the Guinness Book of world records as standing at 19.8 metres. Blythe's Tragopan, world's rare bird species is found in Nagaland and at least 7 species of animals found in Nagaland feature in the ICUN red list of threatened animals.

The important places of tourists spots in Nagaland are Triple Water falls at Seithekema, Tourist village at Chumukedima, the ruins of Medieval Kachari Kingdom at Dimapur, North East Zone Cultural Centre, Intangki Wildlife Sanctuary in Dimapur district, State Museum,2nd World War Cemetry, Dzükou Valley, Kohima and Khonoma Village, Dzülekie and Japfü Peak in Kohima district, Longkhum, Ungma and Molung village in Mokokchung, Shangnyu and Longwa village in Mon district, Pfütsero, Khezhakenoma village and Shilloi lake in Phek district, Longtrok, Kiphiri, Saramati Peak and Pungro village in Tuensang district, Mount Tiyi and Totsu, Liphanyan Governor's Camp in Wokha district and Satoi range and Ghosu Bird Sanctuary in Zunheboto district.

Inspite of all these immense potential the pace of development of tourism as an industry has been rather slow. The major obstacle being the presence of regulations such as the inner line permit and restricted area permit which restrict people from coming to the state without a pass. Besides, the other obstacles are prevalence of insurgency and lack of infra-structural facilities like an efficient system of transportation network and comfortable accommodation facilities. Only recently, from April 2000 the enforcement of RAP has been relaxed for certain districts of

tourist importance which is expected to boost up the prospects of tourism in the state.

POWER :

For economic development and for improving the quality of life, energy is an essential input. The state has vast potential for the generation of Hydel power and other energy sources, but is still woefully lagging behind as compared to other states of the country. Out of the requirement of 40 MW. of power in the state, Micro Hydel stations generate 2.3 MW which operate only seasonally and has no significant impact. Therefore, the whole requirement of power is purchased from Central sector Projects like NHPC and NEEPCO at their prevailing tariffs. The allocation from this central sector projects for Nagaland is only 25 MW and therefore, the department of power has made arrangements with ASEB/ EREB/ MESEB to supply the balance to meet the shortfall. This has resulted in overall improvement of the power supply position in the state. However, during dry season when NHPC and NEEPCO are unable to supply the allotted quota of power, the department resorts to load shedding. Year- wise generation and purchase of power is indicated below:

TABLE 3.7

Year Wise Generation and Purchase of Power in Nagaland

Period	Generation (MV)	Purchase (MV)
1993 – 94	1.59	136.40
1994 – 95	2.33	141.61
1995 – 96	2.46	156.14
1996 – 97	2.22	178.95
1997 – 98	2.35	182.53

Source : *Nagaland 1998, published by Directorate of Information & Public relations, Nagaland.*

Some of the power projects which are at various stages of execution inlcude Likimro, Doyang, Horangki, Telangsao, Tsutha and Duilumroi – III. The department of power expects to commission the Likhimro Hydro electric project by 2000- 2001.

However, even after completion of the on going projects, the total power available in the state would not be adequate to meet the projected demand of the state as is evident from the above picture. The development of power in the state rests with the state government therefore, careful planning and concerted effort on its part is essential to bring about self-sufficiency in this sector.

INDUSTRY :

The process of industrialisation is in a very infant stage in the state. Industrial growth is negligible because of various constraints like lack of desired level of infrastructure, difficult terrain, shortage of capital, political instability, negligence on the part of the government , political interference in the functioning of public enterprises, and lack of enterprising spirit of the people. Presently, the government of Nagaland has initiated several schemes such as establishments of industries centres, modernisation of handloom and handicrafts sectors, promotion of garment industries, development of agro-forest and mineral based industries. A new industrial policy has been formulated to boost industrial consciousness and development in the state.

The state has today (as per official record) 10 medium industries, 1850 small scale industrial units, 20 cottage industries, 2 industrial estates and 8 industries centre to look after the process of industrialisation.

However, the actual functioning of many of these medium industries, small scale industrial units and cottage industries is a matter of uncertainty. Many of these industries that were established have closed down having been declared sick industries. Those that continue do so at a loss.

Besides the earlier mentioned problems encountered in the development of industries in Nagaland, another equally important reason for the sorry state of affairs in the functioning of the public sector undertaking is due to overstaffed employees in such companies. During a field study conducted by the investigator in 1989, when an officer of the Nagaland Sugar Mill development Corporation was questioned as to why the company is incurring heavy losses since its inception. He replied that the company was initially set-up with the primary intention to accommodate surrendered undergrounds and therefore, generating profit was not the primary concern and hence the consequence. Thus, basing on past experiences and the present prevailing political instability in the state, it is perceived that industrial development in the state has still a long way to go.

The deliberations given above indicate a low profile of economic development of this state. Moreover, the problem of unemployment in this mountainous state has not found a solution in industrialisation. Therefore, primary importance should be given towards the development of the informal sector for the tremendous employment scope it offers. The succeeding chapters examines this potential in the light of data's collected from this sector.

On the basis of socio-economics scenario an attempt has been made to analyse the importance of informal sector activities in Nagaland in the following chapters.

CHAPTER – IV

INFORMAL SECTOR IN URBAN AREAS OF NAGALAND

INTRODUCTION – INFORMAL ACTIVITIES IN URBAN AREAS – THE ENTERPRISES – THE PATTERN OF OWNERSHIP – THE ENTREPRENEUR – EMPLOYMENT GENERATION – SOCIO-ECONOMIC CHARACTERISTICS OF THE WORKERS – INVESTMENT AND STRUCTURE OF FINANCING – PRODUCTION / SALE – PROFITABILITY

INTRODUCTION:

According to the census of India 1991, urban areas in Nagaland comprises of 9 towns namely Dimapur, Chümukedima, Kohima, Mokokchung, Tuensang, Zunheboto, Wokha, Mon and Phek. The urban population consists of 2,08,223 persons which constitutes only 16.13 percent of the total population of Nagaland. It covers an area of 147.24 sq.km with a population density of 1414 persons per sq.km.

The total number of households in the urban areas are 42,287 consisting of 32.72 percent of main workers to total population with a literacy rate of 83.10 percent. The nature and habits of these urban areas of the state are however very much indigenous or village oriented resembling big villages in rural areas with the exception of Dimapur town which is recognised as a standard urban area having a cosmopolitan nature according to the criterion adopted in the 1991 census. However, till date it may be noted that not a single town committee has been granted the status of a municipality by the state government although some of them already fulfil the conditions as required under the 74th constitutional amendment act 1992.

INFORMAL ACTIVITIES IN URBAN AREAS:

The predominance of informal sector activities in urban areas of Nagaland is conspicuous by the negligible presence of the formal sector activities. As mentioned earlier, industries have not made any appreciable progress in Nagaland and are negligible because of various constraints like lack of desired level of infrastructures, shortage of capital, absence of indigenous entrepreneurship, non-availability of trained manpower, inadequate institutional finance, difficult terrain and political instability. Except for a few small-scale

industries managed and controlled by private entrepreneurs, almost all the public sector undertakings of the state government have almost stopped functioning. The few that are still operating do so at a loss resulting in drainage of the state's exchequer.

The rapid growth of population during the last two decades has led to significant expansion of the unorganised informal sector in the urban areas, especially trade in consumer goods, transportation and service sectors. The rapid growth of informal sector establishments during the recent past is evident from the fact that majority of them have been started only recently. Around 50% of them were started during the last 5 years and only 16% establishments were at least 20 years old. Consequently, employment in the informal sector has been increasing in Nagaland over the past decades.

From the data collected from the urban areas it is estimated that there are about 17,475 trade, service and manufacturing informal sector establishments registered with the 9 towns committees, 1617 temporary permit holders and street hawkers engaged in trade and service activities.

The transport sector consist of 2522 rickshaw pullers and 1604 cart pullers mainly concentrated in Dimapur town. Auto rickshaws, taxi, mini bus and truck operators were not covered under the study because majority of them are functioning with financial assistance from the government agencies like NIDC and other financial institutions. These units are also registered and regulated by the transport department of the state government.

The construction sub-sector consists of about 2000 units comprising of masons, carpenters and sub-contractors who are not registered with any government agency. It may be pointed out that porters numbering about 5000 persons who are self-employed unskilled labour mainly engaged in loading and unloading goods have been considered as independent workers in the informal sector and will be studied under informal sector workers. Thus, these porters have not been included in the list of service establishments given above.

Though the study covered a range of activities including manufacturing, construction, trade, transport and services, the informal sector in urban areas of Nagaland is dominated by the trade segment. About 52.4% were in trade, 21.8% in transport, manufacturing accounted for an incredibly low figure of about 3.4%, services 6.7% and construction 15.6%. These data are based on information collected from the field survey of the investigator.

The main item of goods dealt by the trade sector are grocery, hardware, stationeries, pan shops, books, clothes, food items, etc. The service sectors activity include repairing works, hotels, saloons, cobblers, dry cleaners, etc. The few that are in manufacturing include tailoring, metal works, blacksmithy, jewellery, bakery, etc.

In the following pages we look at the broad features of the sample units like the enterprises, the pattern of ownership, the entrepreneur, employment generation, investment and structure of financing, sales turnover and profitability.

THE ENTERPRISES:

A very crucial decision that an entrepreneur has to take in the process of setting up any economic activity, whether in the organised sector or the informal sector, irrespective of the size and scale of operation, is the location of the enterprise. As far as organised industrial location policy is concerned, we have a good idea about the major determinants – availability of infrastructure, proximity to raw materials, fiscal incentives, financial facilities etc. In the case of the informal sector, we have little idea about the determinants as no special benefits are provided by the public agencies, or for that matter the town committees and chamber of commerce, linked to a specific location.

Thus, there is a feeling that a unit in informal sector "just comes up" because the man happen to be there. This view suggests, in other words, that the entrepreneur does not specifically consider alternative locations as he has neither a choice nor is he influenced by any specific factor. A rational and economic justification for the site selection is beyond the scope and capability of the informal sector entrepreneur. Nevertheless, it is observed that enterprises located in the heart of the town and its surrounding are found to be more advantaged in terms of sales turnover and profit. Thus, most of the informal sector enterprises are concentrated in the vicinity of the main town.

The size of an economic unit in the informal sector, in terms of space ranges between 25 – 64 sq.ft. for smaller units like pan shops, fruit vendors, vegetable vendors, egg vendors etc. For the moderate size units like saloons, cloth stores, variety stores, stationeries, groceries etc. it is 120 – 320 sq. ft. while for the big units like bakery, workshops, general stores, hard wares, hotels etc. it varies between 375 – 1200 sq.ft.

A majority of the sample enterprises comprising 56% are in fixed locations and the remaining 44% have variable location engaged in trade, transport and construction. Of the enterprises having shifting location 7.4% are in trade as hawkers. Most of the transport and construction enterprises, quite naturally do not have a fixed location, as they are to operate in different areas.

One – fifth of those in fixed locations operated in residential structures, 75 percent in commercial buildings and the remaining few in open sheds and the like. It is observed that 20 percent of the heads of enterprises live in the business premises, 42 percent live in the same neighbourhood and 27 percent live within one kilometre from their business premises. About 81 percent of the business premises are rented and only 8 percent are fully owned by the entrepreneurs; most of the remaining are neither owned nor rented but in the form of paying a daily tax or fee doing business on the roadside. The rental fees of the premises varied from Rs.100 to Rs. 1500 per month depending on the size, type of business activity and the location.

In terms of access to utilities like water, electricity and telephone only 15 percent of the enterprises have all this facilities, 25 percent have water and electricity, 60 percent have electricity. The lack of adequate water supply would thus seem to be a major problem.

Enterprises relating to trade, manufacturing, service and transport segments are mostly registered with town committees. Street hawkers and local vegetable vendors do not require a registration and operate by paying a fee of Rs.5/- per day.

Construction units (masons and carpenters) particularly non – locals operate under a very different and peculiar setting. Majority of them are not registered with any agency and are also not permanent residents. Therefore, they require an inner line permit, which needs to be renewed every month. The procedure for renewing these permits is also defective and so they face a lot of harassment from the local administration. Many a time the renewal forms that are submitted were reportedly lost in the office and they are made to pay another Rs.40 as renewal fee plus a late fine of Rs.10 per day. Moreover, at times when permits expire and they are caught during a routine checking, they are required to pay a fine of Rs.100 to Rs.200 depending on the whims of the officials concerned.

One interesting aspect of the informal sector enterprises is their age structure. It is generally believed that most informal sector enterprises in developing countries are of recent origin. In the present study also it is found that two thirds of the enterprises are of recent origin that came into existence within the last 6 years.

TABLE 4.1

Age structure of the enterprises:

Sl no	PARTIC-ULARS	TRADE (1050 units)		SERVICE (140 units)		MANUFA-CTURING (70 Units)		TRANS-PORT (430 Units)		CONSTR-UCTION (310 Units)		TOTAL	
	In Years	Units	%	No	%	No	%	No	%	No.	%	No.	%
1	1-2	315	30	42	30	20	28	65	15	186	60	628	31.4
2	3-4	147	14	17	12	11	16	163	38	62	20	400	20
3	5-6	168	16	19	14	8	12	146	34	25	8	366	18.3
4	7-8	63	6	11	8	7	10	34	8	15	5	130	6.5
5	9-10	42	4	17	12	6	8	22	5	22	7	109	5.5
6	11-20	147	14	24	17	11	16					182	9.1
7	21-30	105	10	10	7	7	10					122	6.1
8	Above 30	63	6									63	3.1
	Total	**1050**	**100**	**140**	**100**	**70**	**100**	**430**	**100**	**310**	**100**	**2000**	**100**

Source: *Field Survey.*

Indeed over 20 percent of all enterprises are less than one year old. 12 percent are there for the last 7 to 10 years while nearly 9.1 percent were established 11 to 20 years ago and about 6.1 percent were in operation for the last 21 – 30 years. It is also interesting to note that there are 3.1 percent enterprises that were established more than 30 years ago which are concentrated mostly in Dimapur town. Thus, it can be observed that there are differences in age structure across the sub-sector in the informal sector enterprises.

Though the informal sector by definition poses no constraints to entry in any given activity, a majority of the sample entrepreneurs in urban informal sector in Nagaland, i.e 75 percent had to cope with one or more problems in starting their business initially. When asked about the most important of such constraints or hurdle, over two-third stated that raising initial capital was their most difficult problem. Only 8 percent referred to lack of premises as the most difficult obstacle and these were usually, relatively enterprises of recent origin and wishing to establish business in strategic locations. It is observed from the study that old establishments especially above 20 years had no problem in getting premises for their activities because of few business units in those days. Significantly, one quarter of all enterprises reported that they had no major problems at the time of establishing their enterprises.

In order to overcome their initial problems a little over 73 percent of all enterprises took loans from parents and family members or mobilised resources at their own initiative. Only about 5% took loans from friends and relatives to meet their initial capital requirements. About 13 percent started their business by taking credit from wholesalers, while a little less than 4 percent inherited the enterprises from their parents. Only about 4 percent of the sample enterprises

availed of loans from financial institutions. Thus, it can be observed that the financial institutions play an insignificant role in the functioning of the informal sector enterprises, although a majority of them mentioned finance as their most important hurdle in starting their units.

When the entrepreneurs were asked about problems that they faced presently, almost all of them mentioned the political situation in the state as the most important problem, which acts as a deterrent for growth and expansion. The second most important problem was the huge amount of bad debts that they incurred, which seems to be adversely related to the above problem. The third problem as stated was related to finance. Thus, finance and non-payment of debts featured as a major obstacle to expansion. It may be noted that within the last decade, because of the disturbances in the state, most of the earlier established big wholesalers and agencies have shifted their operations to other states which again has adversely affected the earnings of the enterprises because of additional price burden related to transportation and use of middleman for procuring goods and materials from outside the state.

Two thirds of enterprises worked between 8 - 10 hours daily, for 26 days in a month which is closed on all Sundays. The enterprises open or start work early in the day around 6-7 am and close early in the evening around 4-5 p.m. This odd working schedule can also be attributed to insurgency related problems.

These findings suggest that there is very little underemployment (in terms of hours worked) in the informal sector when compared to agricultural cultivators in the rural areas.

THE PATTERN OF OWNERSHIP:

Almost all the economic units (74 percent) under the sample study are sole proprietorship concerns, fully owned and managed by the entrepreneur. In many cases, the units are one-man concerns, the entrepreneur working and managing all the stages of production and sales, with some participation of family members. One-man units constitute 40 percent of the sample units. The remaining sole proprietorship units are family concern with a good degree of family participation and also use the services of his relatives (who are unable to find work and are in pecuniary needs) to help in managing the enterprises by providing them their daily essential needs. Some hired non-family workers also take part in production and sale activities. Family, Joint family and partnership accounted for 34 percent, 8percent and 7percent respectively.

Tabulation of heads of enterprises reveals that almost all of the entrepreneurs are males (85 percent) and female owners are noticed mostly in vegetable vendors and dealers in foreign readymade goods. District urban wise analysis reveals that female participation is relatively better in Mokokchung, Wokha and Phek areas whereas, lesser female participation is observed in districts like Mon, Tuensang and Zunheboto.

THE ENTREPRENEUR:

As in any economic endeavour, in the informal sector also, the entrepreneur who initiates economic activity is an important factor. He nurtures the work and the tempo of the activity is maintained and accelerated largely by his

resourcefulness and enterprising spirit. He has to operate against several odds which his counterpart in the organised sector may not have to face, such as non availability of bank or institutional finance and trained personnel, exploitation by suppliers of inputs and buyers of products due to low bargaining power because of lack of proper organisation, training and information; uncertainty about continuing in production as the activity site may be unauthorised as was the case in Calcutta City where road site vendors were evicted in 1999.

Nevertheless, there are some stimulating factors such as; the informal sector enterprise is not bound by labour laws, quality standards, capacity limits and other rules and regulations that govern his counterpart in the formal sector. On the whole, however, it seems that the negative factors are far more predominant.

A typical informal sector entrepreneur in the urban areas of Nagaland is a man in the lower middle age group, who has migrated from other states with moderate education and practically no formal training in his sphere of activity. His expertise in the area of activity has been acquired only through on the job experience, without any exposure to or participation in a formal training institution.

Majority of the entrepreneurs comprising 79.6 percent were in the age group of 21-40 years, only 6.6 percent were below 20 years of age and around 10 percent were in the age group 41-50 years. Entrepreneurs over 50 years constituted only about 4percent. On an average the informal sector entrepreneur was found to be 32.5 years of age. (Table 4.2)

TABLE 4.2

Profile of Entrepreneur in Urban Informal Sector:

Sl no	PARTIC-ULARS	TRADE (1050 units)		SERVICE (140 units)		MANUFA-CTURING (70 Units)		TRANS-PORT (430 Units)		CONSTR-UCTION (310 Units)		TOTAL (2000 Units)	
		No.	%	No.	%	No	%	No.	%	No.	%	No.	%
1	**AGE**												
	20 & Below	21	2	3	2	2	3	43	10	62	20	131	6.6
	21-30	473	45	56	40	17	24	172	40	155	50	873	43.6
	31-40	336	32	67	48	28	40	206	48	84	27	721	36
	41-50	157	15	10	7	13	19	9	2	9	3	198	9.9
	51-60	52	5	4	3	10	14	-	-	-	-	66	3.3
	Above 60	11	1	-	-	-	-	-	-	-	-	11	0.6
	TOTAL	**1050**	**100**	**140**	**100**	**70**	**100**	**430**	**100**	**310**	**100**	**2000**	**100**
2	**EDUCATION**												
	Illiterate	105	10	11	8	8	11	258	60	68	22	450	22.5
	Read & write	157	15	27	19	15	22	138	32	93	30	430	21.5
	Below Matric	389	37	50	36	30	43	34	8	124	40	627	31.4
	Matric	189	18	25	18	7	10	-	-	16	5	237	11.8
	P.U	105	10	17	12	6	8	-	-	9	3	137	6.8
	Graduate	84	8	10	7	2	3	-	-	-	-	96	4.8
	Postgraduate	4	0.4	-	-	2	3	-	-	-	-	6	0.3
	Diploma	17	1.6	-	-	-	-	-	-	-	-	17	0.9
	TOTAL	**1050**	**100**	**140**	**100**	**70**	**100**	**430**	**100**	**310**	**100**	**2000**	**100**
3	**TRAINING**												
	No training	336	32	36	26	14	20	301	70	31	10	718	35.9
	Apprentice	210	20	34	24	10	14	-	-	124	40	378	18.9
	Formal training	32	3	3	2	2	3	-	-	-	-	37	1.8
	Work experience	399	38	56	40	40	57	129	30	155	50	779	38.9
	Inheritance	52	5	7	5	4	6	-	-	-	-	63	3.2
	Switchover	21	2	4	3			-	-	-	-	25	1.3
	TOTAL	**1050**	**100**	**140**	**100**	**70**	**100**	**430**	**100**	**310**	**100**	**2000**	**100**

Source: *Field Survey.*

With regards to education, 75.4 percent of the entrepreneurs were under matric, mostly under 8 years of school education, out of which 22.5 percent were illiterate and 21.5 percent could read and write. Entrepreneurs having matric and above education constituted only about 24.6 percent out of which 11.8 percent were matriculate, 6.8 percent had under graduate (college education) and 5.1 percent are graduates and post graduates. About 9 percent had some sort of diploma, which mostly relates to pharmacist. The proportion of entrepreneurs with more education is found to be higher among younger ones. Entrepreneur having postgraduate degree were found to be mostly locale and engaged in trade and manufacturing activities. It is evident from the above that the informal sector absorbs persons with relatively little education. (Table 4.2)

The study reveals that work experience acquired through apprenticeship or as paid salesman and helpers in the line of their specialisation or related activity, played an important role in the development of skills for managing their present activity. About 38.9 percent of the entrepreneurs had work experience earlier and 18.9 percent had acquired their skills working as apprentices. Another 38.9 percent mostly from a farming background in rural areas, started their business without any training or experience, largely with the support of family members. Entrepreneurs who had the advantage of under going some formal training in a recognised organisation before they started their economic enterprise comprised only 1.8 percent. About 3.2 percent of the entrepreneurs had inherited their activities from their fathers and a little over 1 percent had earlier been engaged in activities, other than the present one. (Table 4.2)

Thus, it is evident that about 93.1 percent of the entrepreneurs in the informal sector of urban areas of Nagaland have managed to achieve remarkable progress to reach the present level almost exclusively on the basis of their own initiative, dynamism and versatility.

Majority of the entrepreneurs in the urban areas are migrants, comprising of about 73 percent and entrepreneurs of local origin are only about 27 percent (Table 4.2). Transport (cart pullers and rickshaw pullers) segment is completely dominated by Biharis and Mia Muslims. The composition of local and non-local entrepreneur in trade, manufacturing, service and construction segment is approximately 31:69, 44:56, 19:81 and 46:54 ratio respectively. Local entrepreneurs constitute 6 percent in Mon, 10 percent in Dimapur and 16 percent in Tuensang. Comparatively local participation is better in other districts like Kohima – 56 percent, Phek – 45 percent and Mokokchung – 40 percent. In the remaining three other towns it is a little above 30 percent. However it may be noted that the above figures and ratio's in reality may not be very accurate as there are many shops being registered with local names but operated and owned by non-locals.

The composition of entrepreneur in urban informal sector is presented in the given table:

TABLE 4.3

The Composition of Entrepreneurs in Urban Informal Sector

S \ n	Particulars	TRADE		SERVICE		MANUFA-CTURING		TRANS-PORT		CONST-RUCTION		TOTAL	
		No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
1	Naga	325	21	62	44.3	13	18.6			142	45.8	542	27
2	Bihar	186	17.7	33	23.6	20	28.6	228	53	92	29.7	559	28
3	Mia Muslims	232	22.1	28	20	25	35.7	202	47	76	24.5	563	28.2
4	Rajasthan	101	9.6	5	3.6							106	5.3
5	Haryana	68	6.5									68	3.4
6	Uttar Pradesh	53	5	3	2.1	2	2.8					58	2.9
7	West Bengal	47	4.5	3	2.1	4	5.7					54	2.7
8	Others	38	3.6	6	4.3	6	8.6					50	2.5
	Total	**1050**	**100**	**140**	**100**	**70**	**100**	**430**	**100**	**310**	**100**	**2000**	**100**

Source : *Field Survey*

The composition of migrant entrepreneurs from other states are Bihar 28 percent, Mia Muslim (mostly from Assam Karimganj district) 28.2 percent, Rajasthan 5.3 percent, West Bengal 2.7 percent, Haryana 3.4 percent, U.P 2.9 percent and others 2.5 percent.

The activities in which Biharis are dominant include transportation, pan shops, cobblers, saloons, workshops, vegetable and fruit vendors, repairing works and groceries. Mia Muslims dominate activities like shoes, utensils, variety shops, poultry products, mutton sellers, cosmetics and groceries to some extent. Hard ware, motor parts, textile, wholesale traders and stationeries are mostly set up by Marwaris from Rajasthan. Others 2.5 percent of migrant entrepreneur include Bhutanese, Manipuris and Nepalese. Bhutanese traders are concentrated in ready made foreign goods, Manipuris in workshops, dry fish sellers, road side pea and channa vendors and to some extent groceries whereas Nepalese engaged themselves in workshops, textile and a few in groceries too. The activities in which local participation is observed in moderate proportion are foreign goods, hardware, confectionaries, general stores, cosmetics, bakeries and repairing works. Local entrepreneurs dominate only in meat selling and local vegetables. Most of the migrants migrated in search of work, over half of the migrants stated inadequate income as the reason for moving out of their native place, another 40 percent reported underemployment as the reason. Around 8 percent migrants moved to these areas to join their families. Over two thirds of the migrants had a per capita household income below the poverty line at the place of their origin; and one third of the families were in debts of varying magnitudes.

It is observed that most of the migrants gained significantly in terns of current income, on migration. Around 30 percent of them were either students or unemployed; another 30 percents worked in occupation characterized by underemployment and low earnings, such as landless labourers, and village craftsmen; 25 percent worked as non-farm wage labour in the rural areas, and 12 percent in the urban areas. Only around 3 percent were engaged as unpaid family workers in own business and trade, but most of them also reported to be underemployed. Even after accounting for differences in cost of living between rural areas from where most of the migrants originated, over 80% of the migrants gained income in their first job in the urban informal sector in Nagaland. And what is more significant is that they did not have to wait long before finding work and most of them had a member of their family, a relative or friend to provide shelter and food during the waiting period. Despite the ease of migration and of securing of work, and also gains in earnings, most of the entrepreneurs have continued to have interest in their native place, in terms of paying annual visits, and more often sending regular remittances to the members of the family left behind. This might be necessary as with their income levels they find it difficult to support their entire families in the urban areas, and with the insecurity of work in the urban informal sector they would also like to retain the link with their villages as an insurance to fall back upon in the event of losing their present jobs.

EMPLOYMENT GENERATION:

Apart from creating employment for himself, the entrepreneurs in the informal sector also generate employment for others, generally residing in the informal

sector clusters. As shown in the table 4.4 the total employment generated by 2000 units is estimated at 1825 persons (excluding the entrepreneur). Family members (other than the entrepreneur) constitute 30 percent (554 persons) of the labour force. As self-employment is a major objective of the entrepreneur in setting up his enterprise, the total number of people who get their employment or earn their livelihood in the 2000 informal sector units in Nagaland is 3825 persons. The average employment generated per unit is found to be 1.9 persons. The following table indicate the generation of employment by the informal sector in urban areas of Nagaland.

TABLE 4.4

Employment Generation in 2000 Informal Sector Units.

Sub- sectors	No of units	Employees	Total Employment Generated (including entrepreneur)	Average employment per unit.
TRADE	1050	873	1923	1.8
SERVICE	140	170	310	2.2
MANUFACTURING	70	107	177	2.5
CONSTRUCTION	310	675	985	3.2
TRANSPORT	430	NIL	430	1
TOTAL	**2000**	**1825**	**3825**	**1.9**

Source: *Field Survey.*

An analysis of the above table shows that there are variations in employment generation among the sub-sectors. Construction sub-sector generates the most employment, followed by manufacturing, service, trade and transport. It is also observed that transport sub-sector does not generate employment to others except the entrepreneur himself and can be considered as independent self-employed workers. Keeping in view the family size of 4.0 members and excluding the 554 family workers, the 3271 income earning members associated with the 2000 informal sector units, either as an owner or as a worker, have a household membership of 13,084 people who are dependant upon the income earned in these informal sector activities.

SOCIO ECONOMIC CHARACTERISTICS OF THE WORKERS:

The labour force in the informal sector is disadvantaged as compared to those in the organised or formal sector in terms of employment conditions. Workers in the informal sector are not protected either by legal regulations or by strong trade unions. This results in their being deprived not only of the minimum legal wage but also of other benefits such as the minimum standard of safety, medical care, security of tenure and right of legal redressal. Consequently the earnings of workers in the informal sector tends to be lower than of workers in the formal sector.

The technology employed by enterprises in the informal sector is generally indigenous and labour intensive. It does not require formalised work conditions, much division of labour, or sophisticated management. Most of the enterprises

employ illiterate or semi-literate workers, who have neither any trade experience nor any skills. Much of what is required is often acquired doing the job.

Since there is not much scope for a worker in the informal sector to rise in the same enterprises he tries to move from one enterprise to another in search of better earnings. No fixed work schedule exists in the informal sector and normally workers have to stay at work for longer than would be the case otherwise. The involvement of workers in the informal sector tends to be low. Many benefits available to workers in the formal sector, e.g. retirement benefits, bonus and paid holidays are altogether missing in the informal sector.

In the following pages, an attempt has been made to study the socio-economic characteristics of wageworkers in the informal sector along with their working conditions.

The labour force in the urban informal sector of Nagaland is predominantly male. Female participation in the informal sector is noticed only as entrepreneurs and very less as workers. About 90 percent of the workers are males and very few females are engaged as paid or unpaid employees.

The socio-economic profile of workers in the informal sector in urban areas have been presented in the following table 4.5.

TABLE 4.5.

Profile of Workers in Urban Informal Sector:

S/N	Particulars	TRADE		SERVICE		MANUFACTU-RING		CONSTRUCT-ION		TOTAL	
		No.	%	No.	%	No.	%	No.	%	No.	%
1	**AGE**										
	Upto 15	5	0.6	16	9.4	6	5.6	35	5.2	62	3.4
	16-25	770	88.2	132	77.7	88	82.2	499	73.9	1489	81.6
	26-35	85	9.7	14	8.2	8	7.5	101	15	208	11.4
	Above 35	13	1.5	8	4.7	5	4.7	40	5.9	66	3.6
	TOTAL	**873**	**100**	**170**	**100**	**107**	**100**	**675**	**100**	**1825**	**100**
2	**EDUCATION**										
	Illiterate	286	32.8	61	35.9	32	30	216	32	595	32.2
	Read & write	381	43.6	72	42.4	44	41.1	236	35	733	40.2
	Below Matriculate	197	22.6	32	18.8	27	25.5	216	32	472	25.9
	Matriculate & above	9	1.0	5	2.9	4	3.7	7	1.0	25	1.3
	TOTAL	**873**	**100**	**170**	**100**	**107**	**100**	**675**	**100**	**1825**	**100**
3	**COMPOSITION OF WORKERS**										
	Local	133	15.2	23	13.5	10	9.3	143	21.2	309	16.9
	Non-local	740	84.8	147	86.5	97	90.7	532	78.8	1516	83.1
	TOTAL	**873**	**100**	**170**	**100**	**107**	**100**	**675**	**100**	**1825**	**100**
4	**WAGE PATTERN (p.m in Rs.)**										
	Family workers and Apprenticeship	398	45.6	97	57.1	44	41.1	68	10.1	607	33.3
	Upto 250	107	12.3	23	13.5	11	10.3	-	-	141	7.7
	251-500	196	22.5	20	11.8	14	13.1	21	3.1	25.1	13.7
	501-750	77	8.8	15	8.8	22	20.6	65	9.6	179	9.8
	751-1000	58	6.6	7	4.1	7	6.5	225	33.3	297	16.3
	Above 1000	37	4.2	8	4.7	9	8.4	296	43.9	350	19.2
	TOTAL	**873**	**100**	**170**	**100**	**107**	**100**	**675**	**100**	**1825**	**100**

***Sources**: Field Survey.*

Turning to the age structure of the workforce, the study showed that about 80.6 percent of the employees were between 15-25 years. About 11.4 percent were between 26-35 years and nearly 4 percent above 35 years of age. Only about 3.4 percent were below 15 years of age and employed in hotels, workshops and construction works.

In terms of education, like the entrepreneur, the majority of the work forces are not illiterate. An analysis of the table 4.5 reveals that about 40 percent could read and write, 25.9 percent have had some school education and about 1.3 percent matriculate and above only about 32.6 percent are illiterate.

Again, as in the case of the entrepreneurs, majority of the workers comprising of more than 83 percent are migrants from outside the state and only about 17 percent as locals.

With regards to full time and part time basis of employment, about 67 percent were employed on a full time regular basis while the remaining worked on a part time daily basis. Most of the part time workers comprises of family workers and apprentices who do not receive any regular wages and are mainly employed in retail trade, restaurant activities and vehicle workshops.

The table 4.5 shows that about 31.2 percent of the workers get a monthly salary of not more than Rs.750. Only about 35.5 percent of the work forces get a monthly salary of above Rs.750.

Turning our attention to workers without regular wages, half of them get regular meals, shelter and training in skills relevant to their job. This applies mainly to

workers in manufacturing, service and trade sector, 11 percent receive food and training but no shelter, and 13 percent mainly indigenous workers receive training only.

The study revealed that 37.8 percent of the labour force working in the informal sector units resides in the same cluster where the working place is located and another 39.2 percent reside in close proximity. Thus, it implies that the workers in the informal sector do not want to stay far away from their working place. Discussions with them reveal that they find transport cost very exorbitant, working hours are irregular and proximity to working place enable them to earn extra money by doing additional odd jobs in the working place and also in the household of the entrepreneur. Most important, the workers felt that staying in the vicinity of the working place with their own friends, relatives and colleagues provide them moral support, friendship and help in time of need.

INVESTMENTS AND STRUCTURE OF FINANCING:

Among the parameters that are normally used to assess the contribution of an economic unit to the national economy, two important factors are investment and production. These are ultimately reflected in the national income. However, it is observed that the financial contribution of the informal sector, measured in terms of investment and production, is not adequately represented in the national income. The data base on these aspects of informal sector activities is extremely weak and the present study is an attempt to broaden the information base.

As the informal sector units do not maintain any proper Accounting records, the amount of investment made, sales turnover and profit figures are not available. The figures have been determined by making personal enquiries to the

proprietors. It has been observed from the field survey that the informal sector units are not in a position (financially), to invest in fixed assets such as machinery's and buildings. As a result, majority of the units surveyed are operating on rented premises especially trading segment which constitutes the major activities prevalent in the urban informal sector. Hence, investment figures of informal sector units have been determined by taking into consideration the average amount of stock held by the business units. In some cases the amount spent at the time of establishment has also been taken into consideration.

INVESTMENT PATTERN:

The 2000 sample units covered in the study had a total investment of Rs.834 lakhs. The average investment per unit is Rs.41, 745 (Appendix Table I). The investment pattern varied from segment to segment and also between activities in the same segment as the study also covered very small units. Some activities like cobblers, tailors and local vegetable vendors require only a nominal amount of investment as compared to groceries, pharmacies and hotel activities which require a substantial amount of investment. The highest investment per unit is in the trade segment with an investment of Rs. 4.5 lakhs in a furnishing shop whereas the smallest investment per unit is in the service segment, which recorded Rs.200, or less investment in a cobbler unit offering service by the wayside. The table 4.6, given below shows the pattern of investment in the 2000 sampled units in the urban areas of Nagaland.

TABLE 4.6
Frequency Distribution of Investment in Urban Informal Sector Units

Sl no	Particulars (Investment in Rs)	TRADE		SERVICE		MANUFACTURING		TRANSPORT		CONSTRUCTION		TOTAL	
		No.	%	No	%	No	%	No.	%	No.	%	No.	%
1	Upto 2500	44	4	21	15	-	-	150	35	310	100	525	26.25
2	2501 - 5000	104	10	35	25	9	13	-	-	-	-	148	7.40
3	5001 - 10,000	130	12	14	10	14	20	280	65	-	-	438	21.90
4	10,001 - 25,000	117	11	17	12	15	21	-	-	-	-	149	7.45
5	25,001 - 50,000	186	18	21	15	3	4	-	-	-	-	210	10.50
6	50,001 - 75,000	126	12	7	5	6	9	-	-	-	-	139	6.95
7	75,001 - 1,00,000	118	11	11	8	5	7	-	-	-	-	134	6.70
8	100001 - 1,50,000	96	9	6	4	4	6	-	-	-	-	106	5.30
9	1,50,001 - 2,00,000	69	7	3	2	9	13	-	-	-	-	81	4.05
10	ABOVE 2,00,000	60	6	5	4	5	7	-	-	-	-	70	3.50
TOTAL		**1050**	**100**	**140**	**100**	**70**	**100**	**430**	**100**	**310**	**100**	**2000**	**100**

Source: *Field Survey.*

The frequency distribution of the 2000 units in terms of size of investment shows that the majority of them 73.5 percent have an investment of less than Rs.50,000; 26.25 percent below Rs.2500, 7.40 percent between Rs.2501 to Rs.5000, 21.90 percent between Rs.5001 to Rs.10,000, 7.45 percent between Rs.10,001 to Rs.25,000 and 10.5 percent between Rs.25,001 to 50,000. The remaining 26.5 percent of the enterprises have an investment on the following frequency distribution Rs.50, 001 to Rs.75,000 is 6.95 percent, Rs.75,001 to Rs.1,00,000 is 6.70 percent, Rs.1,00,001 to Rs.1,50,000 is 5.30 percent, Rs.1,50,001 to Rs.2,00,000 is 4.05 percent and above Rs.2,00,000 is 3.5 percent.

The major activities that require substantial investment are pharmacies, hardware's, groceries, stationeries, bookstall, cloth stores, shoe stores and furnishings in the trade segment; Hotel and Workshops in the service segment and Bakery, tyre rethreading, steel fabrication and photo studio's in the manufacturing segment. It can be observed from the given table that transport (Rickshaw pullers and cart pullers) and construction segment require less investment to establish a unit, as they pertain to only manual systems and do not involve machineries or large inventories. The activities which require small amount of investment i.e. less than Rs.2500 are pan shops, cobblers, saloons, vegetable vendors, fruit vendors in the trade segment; tea stalls and repairing works in services; tailoring and blacksmithy in manufacturing segment; Masons, carpenters in construction segment and cart pullers in transport segment. Thus, 26.25 percent of the sampled units are comparatively small and can be defined as tiny units, having an investment of less than Rs.2,500.

PATTERN AND STRUCTURE OF FINANCING:

The important feature of the resource mobilization strategy of informal sector entrepreneurs come out clearly by an analysis of the table on structure of financing informal sector activities as presented in the table 4.7.

TABLE 4.7

Pattern and Structure of Financing Informal Sector Units in Urban Areas.

Sl no	PART-ICUL-ARS	TRADE		SERVICE		MANU-FACT-URING		TRANS-PORT		CONSTR-UCTION		TOTAL	
		No.	%	No	%	No	%	No.	%	No.	%	No.	%
1	Own / Family	672	64	126	90	59	84.3	396	92.1	310	100	1563	78.2
2	Friends/ Relatives	54	5.1	10	7.1	5	7.1	34	7.9			103	5.1
3	Banks	62	5.9	4	2.9	6	8.6	-	-	-	-	72	3.6
4	Others (credit, advances, etc.)	262	25	-	-	-	-	-	-	-	-	262	13.1
TOTAL		**1050**	**100**	**140**	**100**	**70**	**100**	**430**	**100**	**310**	**100**	**2000**	**100**

***Source**: Field Survey.*

It is indicated by the table 4.7 that the informal sector entrepreneur has practically no access to any institutional financing. A meagre 3.6 percent of the units have established their activities with financial assistance from commercial banks. The entrepreneurs on being questioned as to why loans are not procured from banks when such institutions are available, the problems or reasons cited are – lack of knowledge in procuring loans, long procedures, favouritism and lack of securities to pledge. About 25% of the entrepreneurs were of the opinion that bank interest is too high and therefore, instead of seeking bank loans, it is

more desirable to plough back the profit derived from the enterprises. As, majority of the entrepreneurs are from outside the state, some mentioned that this factor is also one of the primary reason for which they cannot avail of loans from the banks. In other words, it is assumed that bank loans are available only to the local indigenous people. Further, 18 percent of the entrepreneurs stated that they are satisfied with their present size of investment and therefore is not interested in bank loans. However, more than 50 percent of the entrepreneurs mentioned their desire for financial assistance if at all loans are made available to them at cheaper rates with the procedures simplified.

The study revealed that more than 78.2 percent of the units sampled had started their enterprises solely by themselves or with the help of family members. Friends and relatives of entrepreneurs have helped 5.1 percent of the entrepreneurs in establishing their business.

Further, the study reveals that about 13.1 percent of the enterprises, particularly trade activities finance their unit by availing goods on credit from wholesalers. This system of finance is usually made available to entrepreneurs who are well known and trustworthy by the financiers.

PRODUCTION / SALES :

The informal sector in Nagaland is mostly dominated by the trade segment and manufacturing segment accounted for only about 3.4 percent. Thus, production does not constitute much significance in the informal sector. Moreover, even in the manufacturing segment there seems to be not much variation between the value of annual production and sales, as the units do not have the physical capacity to store their finished goods.

Besides, a large proportion of the production activity is linked to a delivery time schedule, specified by the buyer. Many entrepreneurs therefore cannot appreciate the conceptual difference between the value of production and value of sales. Hence, in the case of the sample of 2000 units, data's were collected only on sales.

SALES PERFORMANCE OF 2000 UNITS :

The total value of annual sales of 2000 units is estimated at Rs.4, 033 lakhs. The average annual sale per unit is Rs.2, 01,695 and an average monthly sale of about Rs.16, 808 (Appendix Table I).

There is considerable variation in the volume of sales at the unit level in the different sub-sectors. The average annual sales per unit is less than Rs30,000 and Rs.70,000 in the transport and construction sub-sectors respectively, whereas it is 1.7 lakhs, 2.2 lakhs and 3.1 lakhs sales per unit in service, manufacturing and trade sub sectors respectively. Besides, in some sub-sectors, there are individual units that have an annual sales turnover exceeding Rs.9 lakhs in the trade segment.

In term of the capital investment in informal sector activities, the value of annual sales is considerable, i.e. 483 percent (sales as percent of investment). In other words for every Re 1 invested in the informal sectors, yields a sales of Rs.4.83p.

The frequency distribution of the 2000 informal sector units in terms of their annual sales is given in the following table 4.8.

TABLE – 4.8.
Frequency Distribution of Sales Turnover in Informal Sector Units.

Sl no	PART-ICUL-ARS	TRADE		SERVICE		MANU-FACT-URING		TRANS-PORT		CONST-RUCTION		TOTAL	
	(P.A) Sales in Rs.	No.	%	No	%	No	%	No.	%	No.	%	No.	%
1	Upto 50,000	52	4.9	34	24.3	3	4.3	430	100	140	45.2	659	32.9
2	50,001 – 1,00,000	190	18.1	39	27.9	12	17.1	-	-	170	54.8	411	20.5
3	1,00,001 – 1,50,000	112	10.7	10	7.1	12	17.1	-	-	-	-	134	6.7
4	1,50,001 – 2,00,000	195	18.6	22	15.7	9	12.9	-	-	-	-	226	11.3
5	2,00,001 – 2,50,000	130	12.4	8	5.7	7	10	-	-	-	-	145	7.3
6	2,50,001 – 3,00,000	65	6.2	2	1.4	2	2.9	-	-	-	-	69	3.5
7	3,00,001 – 3,50,000	74	7	6	4.3	5	7.1	-	-	-	-	85	4.3
8	3,50,001 – 4,00,000	87	8.3	3	2.1	9	12.9	-	-	-	-	99	4.9
9	4,00,001 – 4,50,000	38	3.6	4	2.9	--	--	-	-	-	-	42	2.1
10	4,50,001 – 5,00,00	29	2.8	5	3.6	7	10	-	-	-	-	41	2
11	Above 5,00,000	78	7.4	7	5	4	5.7	-	-	-	-	89	4.5
TOTAL		**1050**	**100**	**140**	**100**	**70**	**100**	**430**	**100**	**310**	**100**	**2000**	**100**

Source: *Field Survey.*

The table reveals that the bulk of them have and annual sales of less than Rs.1, 00,000; 6.7 percent have an annual sales ranging between Rs.1,00,001 to Rs.1,50,000; 11.30 percent between Rs.1,50,001 to Rs.2,00,000; 7.25 percent between Rs.2,00,001 to Rs.2,50,000; 7.70 percent between Rs.2,50,001 to Rs.3,50,000; 7.05 percent between Rs.3,50,001 to Rs.4,50,000; 2.05 percent between Rs.4,50,001 to Rs.50,00,000 and 4.45 percent above Rs.5,00,000. On the other hand 32.95 percent of the units have an annual sales of only Rs.50,000 or less and another 20.50 percent have an annual sales ranging between Rs.50,001 to Rs.1,00,000.

Variations are noticed even in similar economic units located in different districts, depending on the size and location of such units. Thus, for example, in Mon town 81 percent of the units have an annual sales of less than Rs.50,000 and in Tuensang and Zunheboto towns, the proportion are 64.8 percent and 13 percent respectively. The larger sales turnover are primarily in Dimapur and Kohima districts. 32 percent have an annual sales of more than Rs. 2,00,000 and another 15 percent are in the frequency range Rs.1,00,000 to Rs.2,00,000.

PROFITABILITY :

The total (aggregate) amount of Profit generated by 2000 informal sector units in urban areas is estimated at Rs959.46 lakhs per annum. The average annual profit per unit is Rs.47,973, which comes to a monthly average profit of Rs.3998 per unit. (Appendix Table I).

Profitability in the Informal sector in urban areas measured in terms of sales is high and is estimated at 23.8 percent (Total Profit as percent of Total Sales). As most of the informal sector units do not pay any tax on income, the gross and net profitability (i.e. before income tax and net income tax) are identical. The profitability rate varies considerably between the different informal sector activities, ranging from 10 percent to 20 percent in activities like Grocery, Confectionery, Cosmetics, stationary and Bookstall to as high as 40 percent to 50 percent in electrical goods, electronics, motor parts, cards and gifts, fruits, Photostat and ready made garments.

It is interesting to note that because of the bargaining factor in business prevailing in Nagaland, some traders are even making a profit of more than 100 percent (especially in ready made foreign goods) when the rich buy at the price quoted without bargaining. Further it is observed that business activities like readymade garments, motor parts (duplicate's sold at original prices) Photostat, electrical goods are the most profitable units because of the absence of price tags on the goods sold. The less profitable units are grocery, stationary, confectionery etc. Although some of this goods do not have price tags on them, they are sold at reasonable rates because they pertain to essential goods and therefore the volume of sales are higher compared to other kinds of goods.

The frequency distribution of profit generated in the 2000 informal sector units is given in following table 4.9

TABLE – 4.9

Frequency Distribution of Profit Generated in informal Sector Units.

Sl no	PARTIC-ULARS	TRADE		SERVICE		MANUFA-CTURING		TRANSPORT		CONSTRU-CTION		TOTAL	
	(P.A Profit in Rs.	No.	%	No	%	No	%	No.	%	No.	%	No.	%
1	Upto 5,000	17	2	3	2	--	--	--	--	--	--	20	1
2	5,001 – 10,000	74	7	6	4	3	4	--	--	--	--	83	4.15
3	10,001 – 25,000	291	28	39	28	19	27	430	100	- -	--	779	38..95
4	25,001 – 50,000	260	25	22	16	15	21	--	--	190	61	487	24.35
5	50,001 – 75,000	159	15	33	24	9	13	--	--	120	39	321	16.05
6	75,001 – 1,00,000	92	9	17	12	11	16	--	--	--	--	120	6
7	1,00,001 – 1,50,000	65	6	8	6	4	6	--	--	--	--	77	3.85
8	1,50,001 – 2,00,000	52	5	3	2	--	--	--	--	--	--	55	2.75
9	2,00,001 – 2,50,000	13	1	6	4	2	3	--	--	--	--	21	1.70
10	2,50,001 – 3,00,00	14	1	--	--	--	--	--	--	--	--	14	0.70
11	Above 3,00,000	13	13	1	3	2	7	10	--	--	--	23	1.15
TOTAL		**1050**	**100**	**140**	**100**	**70**	**100**	**430**	**100**	**310**	**100**	**2000**	**100**

Source: *Field Survey.*

It is observed from the given table that majority of the informal sector units generate profit ranging between Rs.10,001 – Rs.75,000 P.A. As mentioned earlier, the transport sector which consist of only self employed independent workers, (Cart pullers and Rickshaw pullers), their earnings falls within the same range i.e. Rs.10,001 – 25,000 as their earnings per day are almost similar for every entrepreneur.

It is clear from the evidence provided in the table that the informal sector enterprises generate substantial amount of earnings or respectable levels of incomes for a majority of the petty entrepreneurs. Moreover, it is observed that about 15 –20 percent of the profit generated from this informal activities are ploughed-back into the business to finance the growth of these units. The high level of plough-back is a feature of the financial efficiency of the informal sector that needs to be appreciated. Further, the fact that this units provide a means of livelihood to many who would otherwise be jobless is highly significant and noteworthy.

After analysing all the determinants of urban informal sector, it is evident that the contribution of this sector in terms of job creation and income generation is very much dominant in the economy of Nagaland.

It is also observed that the informal units do not like to enter into complicacy by borrowing funds from financial institutions and always avoid tax payment to different authorities by posing themselves to be very tiny units. On the other hand, there are some informal sector units, which grow like big establishments as they are re-investing their profits for years.

In the next chapter an attempt has been made to study the informal sector in rural areas.

CHAPTER - V

INFORMAL SECTOR IN RURAL AREAS OF NAGALAND

INTRODUCTION - INFORMAL ACTIVITIES IN RURAL AREAS - THE SAMPLE SIZE - THE ENTERPRISES - THE ENTREPRENEURS - EMPLOYMENT GENERATION – SOCIO-ECONOMIC CHARACTERISTICS OF THE WORKERS - INVESTMENT PATTERN - PATTERN AND STRUCTURE OF FINANCING - SALES PERFORMANCE - PROFITABILITY

INTRODUCTION :

Rural areas of Nagaland comprises of 1216 villages with a population of 1,001,323 persons as per 1991 census, which constitutes 83.87 percent of the total population in Nagaland. The density of population in the rural areas is 61 persons per sq. km as compared to 1414 person per sq. km in the urban areas of Nagaland. It covers an area of 16,431.76 kms out of the total area of 16,579 km in Nagaland. The rural literacy rate is 57.23 percent as compared to 83.10 percent in urban areas. Mokokchung district recorded the highest literacy rate of 76.07 percent and Mon district the lowest at 33.39 percent as per rural literacy.

The rural people of Nagaland are basically dependent on Agriculture for their livelihood and therefore, agriculture is the most important activity among the rural population. Besides agriculture, people engage themselves in weaving, blacksmithy and other handicrafts to meet their daily requirements of domestic and social needs during off- season but not much for commercial purposes.

The Nagas in the past lived in traditionally independent villages situated at hill-tops having their cultivable land at far-flung pockets. Remoteness and the difficult terrain therefore act as an impediment for surplus production. Thus, the rural economy was more or less a self-subsistent one and as a result trade and commerce activities were not much in vogue. They produced their own food and manufactured almost all the requirements for their domestic and social needs. Whenever there was the necessity of any article or equipment, it was obtained through barter system.

However, today with the influence of modern civilization and expansion of developmental activities in rural areas after the attainment of statehood, the livelihood pattern of the rural people have also undergone a change. Accordingly, their wants have multiplied and therefore, to supplement their meagre earnings from agriculture, rural people also engaged themselves in informal activities like trade, service, manufacturing and construction activities. These activities constitute the informal sector in the rural areas of Nagaland.

As mentioned earlier, though agricultural activities are pre-dominantly informal in character, it has not been covered under the present study as this primary and important sector of the economy is looked after by a separate government department - the agriculture department. However, trade in agriculture produce is considered as it constitutes an important activity of informal sector in the rural areas.

INFORMAL ACTIVITIES IN RURAL AREAS:

Informal activities in trade , manufacturing, services and construction constitute the informal sector in the rural areas. The type and number of informal activities in a village vary from village to village depending on the size of population, location and distance of the villages from the urban areas and national highways. It has been observed that informal activities in the semi-urban areas (sub-divisional headquarters and small towns which have developed along the national highways in the vicinity of the villages) has so much of similarities with

their counterparts in the urban areas as already discussed in the earlier chapter regarding their nature and style of functioning. Except, for the difference in the volume of transactions involved, all types of informal activities existing in the urban areas are also present in the semi-urban areas. In contrast to this, it is observed from the field survey that in some villages, shop are even non-existent and so, people from this villages, have to go to other villages to buy their necessities whenever necessary.

Trade segment activities in the rural areas mainly consist of shops like General Shops, Pharmacies, Pan shops, Vegetable vendors and Butchers. The service segment includes activities like tea stalls, workshops and saloons. Manufacturing sector comprises of activities like Blacksmithy, tailoring, Bakery and Photo studio's. Masons and carpenters constitute the construction segment in the rural areas. The transport segment (Rickshaws and Cartpullers) is absent in the rural areas as most of the villages are situated on hilly areas and the road conditions are not favourable for this system to operate.

Unlike in the urban areas where a specific good is sold in a particular shop, a typical feature that is noticed in the rural areas is that all kind of goods like food items, clothing materials, foot wears, stationeries, books, hard wares etc. are collectively sold under one roof which is commonly referred to as general shops.

Another interesting feature prevalent in the rural areas is the absence of green vegetable vendors in many of the villages. Jhum cultivation is extensively

practised in the rural areas where different kind of vegetables are cultivated alongside rice or maize cultivation. Thus, every family is self sufficient with regard to vegetable requirements. As a result, any surplus production in vegetables cannot be sold in the villages itself. Moreover, Naga families have a custom of presenting gifts to neighbouring families which is in the form of vegetables and fruits cultivated. Thus, excess produce from the gardens are all disposed off in the form of gifts to neighbours.

However, villages that are located near the urban areas or national highways cultivate vegetables and bring them to these areas to do business. For example, villages located within a radius of 15kms from Wokha town such as Longsa, Longsachung, Wokha village etc, bring their vegetables products and sell them in Wokha town. These vegetables are also brought to Kohima and Dimapur towns by the cultivators themselves and are sold daily in the market. It is encouraging to note that this business in vegetables by the villagers is not merely a one time seasonal activity but is carried on throughout the year by cultivating various types of vegetables pertaining to different seasons.

THE SAMPLE SIZE

Primary data relating to informal sector activities in the rural areas have been collected by taking a village as a sample unit. The Directorate of Census Operation, Govt. of Nagaland, has classified villages in the rural areas according to size of population. This classification of villages, District wise been presented in the following table:

TABLE.5.1

Population features of villages as classified by the Directorate of Census Operation, Govt. of Nagaland.

Category of village	Population size	District Wise No. of Villages								
		Kohima	Dimapur	Mokok-chung	Tuensang	Wokha	Zunh-eboto	Mon	Phek	Total
Very small village	1-499	102	124	38	105	75	132	29	45	650
Small village	500-1999	65	62	46	97	32	47	55	44	448
Medium village	2000-4999	15	8	20	25	6	2	23	10	109
Big village	5000+	3	-	2	1	-	-	2	1	9
Total	-----	**185**	**194**	**106**	**228**	**113**	**181**	**109**	**100**	**1,216**

Source: *District census Hand book 1991.*

Based on the classification as provided above, the investigator has visited all categories of villages. In the field survey, 32 villages each from Kohima and Dimapur district having different population ranges as classified above has been surveyed by administering the questionnaire to the persons engaged in informal sector activities. From the remaining 6 districts of Nagaland (Mon, Tuesang, Zunheboto, Wokha, Mokokchung and Phek) 10 villages each having different population ranges, classified as above has also been surveyed. From the above sample villages, Primary data from 375 informal sector units relating to trade, manufacturing, service and construction activities have been collected. Table5.2 depicts the number of villages and number of informal sector units surveyed in different Districts of Nagaland for administering the questionnaire.

TABLE 5.2

District wise, number of villages and informal sector units surveyed for the study.

Sl. No	Category	Population Size	Kohima		Dimapur		Mokokchung		Tuensang		Wokha		Zunheboto		Mon		Phek		Total	
			No. of villages visited	No. of units surveyed	No. of villages visited	No. of units surveyed	No. of villages	No. of units	No. of villages	No. of units	No. of villages	No. of units	No. of villages	No. of units	No. of villages	No. of units	No. of villages	No. of units	No. of villages	No. of units
1	Very Small Village	1 - 499	20	60	17	50	3	9	4	12	5	15	6	18	3	9	4	12	62	185
2	Small Village	500 - 1999	8	24	12	36	4	12	4	12	3	9	3	9	5	15	4	12	43	129
3	Medium Village	2000-4999	3	9	3	9	2	6	2	6	2	6	1	3	2	6	1	3	16	48
4	Big Village	5000+	1	7	-	-	1	3	-	-	-	-	-	-	-	-	1	3	3	13
	Total		**32**	**100**	**32**	**95**	**10**	**30**	**10**	**30**	**10**	**30**	**10**	**30**	**10**	**30**	**10**	**30**	**124**	**375**

Source *: Field Survey*

Although, some remote villages in Kohima and Phek district have been visited to represent them, majority of the villages visited are within a radius of 30 kilometres from the urban areas and national highways. However, to supplement this dearth in rural data, a number of people from some remote villages who are residing in Kohima and Dimapur Towns have been interviewed and information so collected have been incorporated in the study for the purpose of analysis.

In the following pages we look at the broad features of the sampled units like the enterprises, the entrepreneur, employment generation, investment and structure of financing, sales turnover and profitability.

5.4 THE ENTERPRISES:

Majority of the sample enterprises in the rural areas are in fixed locations with the exception of construction units which are of a mobile nature. By analysing the responses received through the questionnaire it was found that 75 percent are in fixed locations and the remaining 25 percent in variable location engaged in trade and construction activities. About 72 percent of the business premises in fixed locations are rented and 28 percent are fully owned by entrepreneurs. 67 percent of those in fixed locations operated in residential structures, 28 percent in commercial buildings and the remaining 5 percent in open sheds and the like.

In the semi-urban areas where adhoc town committee are constituted, almost all the enterprises are registered with these local bodies with the exception of local vegetable vendors. In the villages, majority of the shops do not require a license for operation with the exception of big shops like general shops, whose owners are mostly non-locals. To operate them they have to be registered with the district administration office. In terms of access to utilities like electricity and water, majority of them had access to electricity (although erratic) and water in the form of community wells.

In the semi urban areas most of the enterprises work between 8 and 10 hours daily. The working hours and work schedule followed in rural areas as far as activities in informal sector is concerned, shows a different picture as compared to urban informal sector.

In rural areas many of the people who are engaged in Informal Sector activities are also found to be primarily engaged in Agricultural sector. So during peak working hours the units are closed and only early in the morning and late afternoon the units are opened for transactions.

With regard to the age structure of enterprises it is found that 36 percent of them are of recent origin, i.e. came into existence within the last 5 years or so as is evident from the table 5.4

TABLE 5.3

Age Structure of the Enterprises.

AGE STRUC-TURE	TRADE		SERVICE		MANUFACT-URING		CONSTRUC-TION		TOTAL	
In Years	UNITS	%	UNITS	%	UNITS	%	UNITS	%	UNITS	%
Below 6	54	24.5	17	34	6	40	58	64.4	135	36
6 – 10	58	26.4	14	28	4	26.7	24	26.7	100	26.7
11 – 15	73	33.2	11	22	3	20	5	5.6	92	24.5
16 – 20	22	10	8	16	2	13.3	3	3.3	35	9.3
21 +	13	5.9	-	-	-	-	-	-	13	3.5
Total	**220**	**100**	**50**	**100**	**15**	**100**	**90**	**100**		**100**

***Source** : Field Survey*

Nearly 27percent are there for the last 6 to 10 years, while a little over 25percent were established 11 to 15 years ago. On the whole 62.7 percent have been in operation for the last 10 years or less number of years. A little over 9percent had been established between 16 to 20 years. The remaining 3.5percent had been in existence for more than 21 years. Out of these 3.5 percent lot, there are these three units in trade segment which were in existence for more than 30 years. On inquiry it is found that this shops have been transferred from parents to children. Thus, it can be observed that there are differences in age structure across the sub-sector in the informal sector enterprises in rural areas.

As in the case of urban areas the informal sector in the rural areas also faced certain problems at the time of setting up their units. The most important problem faced by the rural entrepreneur in setting up a unit in informal sector is inadequacy of capital or finance. Nearly 78 percent of the respondent opined that initial capital to start a unit was inadequate and too meagre. The second most important problem faced was transport and communication, which was found inadequate in the rural areas of Nagaland. Many of the villages in Nagaland are found to be without bus communication and the road system in very bad conditions. This is found to be adversely affecting the promotion of trade and commerce activities in the rural areas. Only about 5 percent, mostly non-locals referred to lack of premises as the most difficult obstacle.

In order to overcome their initial problems, majority of the enterprises (82 percent) utilised their savings or obtained loans from friends and relatives to

meet their initial capital requirement. A little over 12 percent started their business by taking credit from wholesalers, while a little less than 6 percent of the sample enterprises availed of loans from financial institutions. Thus, it can be observed that financial institutions even in the rural areas are playing an insignificant role in the functioning of the informal sector enterprises (Although a majority of them mentioned finance as the most important hurdle initially). On being asked about their present problems faced, almost all of them mentioned finance as the most important problem followed by non payment of debts, lack of proper communication system and prevailing political situation in the state respectively. Only about 7 percent of those responded mentioned lack of customers as one of the major problems facing them.

THE ENTREPRENEURS :

A typical informal sector entrepreneur in the rural areas of Nagaland is a man in the lower middle age group, with very little education and practically no formal training in his sphere of activity. His expertise in the area of activity has been acquired only through on the job experience or apprenticeship without any exposure to or participation in a formal training institution. The profile of Entrepreneur in rural informal sector has been presented in Table 5.4, 5.4 and 5.4. The following Table shows the age structure of Entrepreneurs in the rural areas.

TABLE 5.4.(i)

Profile of Entrepreneur in rural Informal Sector
(Age structure of entrepreneur and their area of operation)

Particulars	TRADE (220 Units)		SERVICE (50 UNITS)		MANUFACTURING (15 UNITS)		CONSTRUCTION (90 UNITS)		TOTAL (375 UNITS)	
Age (Years)	No	%	No	%	No	%	No	%	No	%
20 and below	7	3.2	2	4	-	-	-	-	9	2.4
21-30	77	35	17	34	5	33.3	40	44.4	140	37.3
31-40	94	42.7	26	52	7	46.7	43	47.8	170	45.3
41-50	24	10.9	4	8	3	20	7	7.8	38	10.1
51-60	16	7.3	1	2	-	-	-	-	16	4.3
Above 60	2	0.9	-	-	-	-	-	-	2	0.6
Total	**220**	**100**	**50**	**100**	**15**	**100**	**90**	**100**	**375**	**100**

Source : *Field Survey*

The average age of the entrepreneur is 34.5 years. Majority of the entrepreneurs comprising 82.6 percent were in the age group of 21 – 40 years, only 2.4 percent were below 20 years of age and about 10.1 percent were in the age group of 41 – 50 years. Entrepreneurs over 50 years constituted only about 4.8 percent of which 2 entrepreneurs over the age of 60 was observed engaged in trade sector.

From the field survey it is observed that local people realised the employment opportunities available in these areas only after the early part of 1990's . As a result new entrepreneurs particularly local entrepreneurs are emerging from the younger age group, in their late twenties and early thirties.

The table below depicts the level of education of entrepreneurs in the rural areas.

TABLE 5.4.(ii)

Profile of Entrepreneur in rural Informal Sector
(Entrepreneur level of Education and their area of operation)

Particulars	TRADE (220 Units)		SERVICE (50 Units)		MANUFACTURING (15 UNITS)		CONSTRUCTION (90 UNITS)		TOTAL (375 UNITS)	
EDUCATION	No	%	No	%	No	%	No	%	No	%
(a) Illiterate	37	16.8	14	28	-	-	26	28.9	77	20.5
(b) Read and write	74	33.6	21	42	4	26.7	38	42.2	137	36.5
(c) Below matriculate	97	44.1	12	24	7	46.7	24	26.7	140	37.3
(d) Matriculate	5	2.3	3	6	3	20	2	2.2	13	3.5
(e) P.U	-	-	-	-	1	6.6	-	-	1	0.3
(f) Graduate and above	-	-	-	-	-	-	-	-	-	-
(g) Diploma	7	3.2	-	-	-	-	-	-	7	1.9
TOTAL	**220**	**100**	**50**	**100**	**165**	**100**	**90**	**100**	**375**	**100**

***Source** : Field Survey*

As regards education, 20.5 percent of the sampled entrepreneurs are illiterate, 36.5 percent could read and write and 37.3 percent attended school but was below matriculate. Entrepreneurs having matriculate and above college education constituted only about 5.7 percent. The data on education of entrepreneur provided in the table 5.4.(ii) indicates that the informal sector absorbs persons with relatively little education.

The Table below shows the level of training of entrepreneurs in the rural areas.

TABLE 5.4.(iii)

Profile of Entrepreneur in rural Informal Sector

(Entrepreneur level of training and their area of operation)

Particulars	TRADE (220 Units)		SERVICE (50 UNITS)		MANUFACTURING (15 UNITS)		CONSTRUCTION (90 UNITS)		TOTAL (375 UNITS)	
TRAINING	**No**	**%**	**No**	**%**	**No**	**%**	**No**	**%**	**No**	**%**
(a) No training	70	31.8	5	10	1	6.7	--	--	76	20.3
(b) Apprentice-ship	55	25	28	56	8	53.3	43	47.8	134	35.7
(c) Formal training	7	3.2	--	--	--	--	--	--	7	1.9
(d) Work Experience	86	39.1	16	3.2	6	40	47	52.2	155	41.3
(e) Inheritance	2	0.9	1	2	--	--	--	--	3	0.8
TOTAL	**220**	**100**	**50**	**100**	**15**	**100**	**90**	**100**	**375**	**100**

Source *: Field Survey*

It is evident from the data provided in the table above that work experience acquired through apprenticeship or as paid salesman and helpers earlier in the line of their specialisation or related activity, played an important role in the development of skills for managing their present activity. About 35.7 percent of the entrepreneurs sampled had acquired their skills working as apprentices and 41.3 percent had work experience earlier in the line of their specialisation or

related activity. The tabulation also reveals that about 20.3 percent of the entrepreneurs, mostly cultivators and Government servants started their business without any training or experience, largely with the support of friends, relatives and their meagre savings. Thus, it is evident from the above data that the informal sector plays a key role in skill acquisition.

Almost all the enterprises surveyed under the present study are single or sole proprietorship units, fully owned and managed by the entrepreneur without any hired worker. In many cases, the units are one-man concerns, the entrepreneur working and managing all the operations with some help from the family members. One-man units constitute 32 percent of the sample units, mostly found in pan shops, tailoring, vegetable vendors and saloons. The remaining sole proprietorship units are family based organisation, ownership and management, where a good degree of family participation is observed. Some hired non-family workers also take part in production and sale activities.

Analysis of heads of enterprises (entrepreneurs) from the data collected through the questionnaire reveal that almost all of the entrepreneurs are males (79 percent) and only 21percent of female owners engaged mostly in vegetable vending, pan shops and tea stalls. District wise analysis shows that female participation in rural areas is relatively better in Mokokchung, Phek, Wokha, and Kohima, whereas lesser female participation is observed in the other districts like Tuesang, Zunheboto and Mon districts.

The composition of entrepreneurs (Naga and Non-Naga) in the rural areas are presented in the following Table.

TABLE 5.5

Sector wise no. of units sampled and Composition of Entrepreneurs therein

Sl.No	SEGMENT	NO. OF UNITS	ENTREPRENEURS	
			NAGA	NON - NAGA
1	TRADE	220	137	83
2	SERVICE	50	16	34
3	MANUFACTURING	15	5	10
4	CONSTRUCTION	90	45	45
TOTAL		**375**	**203**	**172**

***Source** : Field Survey*

Unlike the urban areas where entrepreneurs are mostly migrants, it is found that in the rural areas, local and non-locals more or less equally participate as entrepreneurs. This is evident from the data provided in table above. Local participation is more in areas like Pharmacies, pan shops, vegetable vendors, butcher and construction units. Whereas people from outside the state are found to be more engaged in activities like saloons, tailoring, masons and tea stalls. District wise analysis shows that local entrepreneurs are more in Mokokchung, Kohima, Wokha and Phek areas whereas in Mon and Tuesang districts it is observed that the more remote are the villages, non-local entrepreneurs are found to be engaged in this sector. Non-local entrepreneurs are mostly from states like Rajasthan, Assam (Karimganj District) and Bihar.

EMPLOYMENT GENERATION:

In the rural informal sector of the economy, most of the enterprises are generally one person or own account worker enterprises engaging unpaid family members. The informal sector in rural areas is thus mainly a source of self-employment, rather than paid employment. Turning to the distribution of enterprises by number of workers per enterprises, out of 150 enterprises employing workers, 90 enterprises employed only one person each and 40 enterprises employed two persons each. The rest 20 enterprises employed over two workers. Family members (other than the entrepreneur) constitute 27.4 percent (87 persons) of the labour force. The total number of workers employed by 375 enterprises was 317 persons. Thus, including the entrepreneur himself, the 375 sample enterprises provided employment for 692 persons. The average size of the enterprises in terms of number of persons employed thus works out to 1.8. The following table 5.6 indicates the generation of employment by informal sector in rural areas of Nagaland.

TABLE 5.6

Sector wise no. of units, workers, total employment generated (including entrepreneurs) and average employment per unit

Sl. No	SECTOR	NO. OF UNITS	EMPLOYMENT (WORKERS)	TOTAL EMPLOYMENT GENERATED (INCLUDING ENTREPRENEURS)	AVERAGE EMPLOYMENT PER UNIT
1	TRADE	220	119	339	1.5
2	SERVICE	50	49	99	1.9
3	MANUFACTURING	15	19	34	1.9
4	CONSTRUCTION	90	130	220	2.4
TOTAL		**375**	**317**	**692**	**1.8**

***Source** : Field Survey*

Analysis of the above table shows that there are variations in employment generation among the sub-sectors. Like the urban areas, it is found that construction sub-sector in the rural areas also generate the most employment, followed by service, manufacturing and trade respectively.

SOCIO-ECONOMIC CHARACTERISTICS OF THE WORKERS:

The workers in the informal sector are disadvantaged as compared to those in the organised or formal sector in terms of employment conditions, earnings and consequently living conditions. They are deprived of the facilities which are mandatory under labour laws prevailing in our country.

In the following pages an attempt has been made to study the Socio-economic characteristics of wage workers in the informal sector along with their working conditions.

The socio-economic profile of workers in the informal sector in rural areas have been presented in the table 5.7.1 below.

TABLE 5.7

Socio-Economic Profile of Workers in Rural informal Sector

Particulars	TRADE		SERVICE		MANUFACTURING		CONSTRUCTION		TOTAL	
1. Age (inYears)	No	%	No	%	No	%	No	%	No	%
Below 12			4	8.2	--	--	--	--	4	1.3
12 – 15	6	5	7	14.3	--	--	7	5.4	20	6.3
16 – 25	86	72.3	30	61.2	12	63.2	78	60	206	64.9
26 – 35	24	20.2	6	12.2	5	26.3	33	25.4	68	21.5
Above 35	3	2.5	2	4.1	2	10.5	12	9.2	19	6
Total	**119**	**100**	**49**	**100**	**19**	**100**	**130**	**100**	**317**	**100**

2. EDUCATION										
Illiterate	35	29.4	19	38.8	7	36.8	32	24.6	93	29.3
Read & Write	48	40.3	18	36.7	9	47.4	67	51.6	142	44.8
Below matriculate	29	24.4	12	24.5	3	15.8	25	19.2	69	21.8
matriculate & above	7	5.9	--	--	--	--	6	4.6	13	4.1
Total	**119**	**100**	**49**	**100**	**19**	**100**	**130**	**100**	**317**	**100**
3. MIGRANT STATUS										
Local	55	46.2	7	14.3	2	10.5	45	34.6	109	34.4
Non-Local	64	53.8	42	85.7	17	89.5	85	65.4	208	65.6
Total	**119**	**100**	**49**	**100**	**19**	**100**	**130**	**100**	**317**	**100**
4. WAGE PATTERN (P.M)										
Unpaid Family Workers and Apprenticeship	68	57.1	12	24.5	3	15.8	24	18.5	107	33.8
Upto 250	9	7.6	9	18.4	--	--	--		18	5.7
Rs.251 – Rs.500	15	12.6	12	24.5	2	10.5	--		29	9.1
Rs.501 – Rs.750	11	9.2	8	16.3	4	21.1	19	14.6	42	13.2
Rs.751 – Rs.1000	7	5.9	5	10.2	5	26.3	62	47.7	79	25
Above Rs.1000	9	7.6	3	6.1	5	26.3	25	19.2	42	13.2
Total	**119**	**100**	**49**	**100**	**19**	**100**	**130**	**100**	**317**	**100**

***Source** : Field Survey*

It can be seen from the data in the table that an overwhelming majority of workers, 64.9 percent belong to the age group 16 – 25 years, 21.5 percent in the 26 – 35 years group and around 6 percent are aged above 35 years. There are about 6.3 percent in the age group 12 – 15 years. Further, it can be observed

from the table that there are 1.3 percent workers under the age of 12, which are mostly employed in hotels, and tea stalls under service sector. The workers in the informal sector in rural areas are on an average 22 years old.

In terms of education, the majority of the work force are not illiterate, at least could read and write to some extent. Analysis of the table 5.7 shows that about 44.8 percent could read and write, 21.8 percent have had some school education below matriculate and about 4.1 percent matriculate and above. Only about 29.3 are illiterate.

Considering the native origin of the workers engaged in informal sector in rural areas, it can be observed from the table 5.7 that there are considerable variation between different activities and sub-sectors. Unpaid family workers and apprenticeship workers constitute 33.8 percent of the total sampled workers. About 28 percent of the sampled workers get a monthly salary of not more than Rs.750/-. Only about 38.2 percent of the work force gets a monthly wage of above Rs.750. However, it may be noted that workers receiving less wages are those workers who receives certain other benefits such as free food, free accommodation and training in skills relevant to their job. Thus, it is observed that in the informal sector, wages may be paid in cash or even in kind or in both.

Further, it is observed from the field survey that the labour force in the rural informal sector of Nagaland is predominated by male's. Female participation in the informal sector is noticed mostly as entrepreneurs and very less as workers.

INVESTMENT PATTERN :

The 375 sampled units covered in the study had a total investment of Rs.65.74 lakhs. The average investment per unit is Rs.17,532 (Appendix Table –II). However, the pattern varied from sector to sector and also between activities in the same sector as the study covered both large and small units in terms of investment volume. The average investment per unit for 80 general shops and 5 Bakery sampled is Rs.48,000 and Rs.70,000 respectively, whereas the average investment per unit for 80 pan shops and 10 saloons sampled is Rs.2342 and 1400 respectively. (Appendix Table –II)

The table 5.8 below shows the pattern of investment in the 375 sample units in the rural areas of Nagaland.

Table 5.8

Frequency Distribution of Investment in Rural informal sector units

Sl. No	Particulars	TRADE		SERVICE		MANUFACTURING		CONSTRUCTION		TOTAL	
		No	%	No	%	No	%	No	%	No	%
1	Upto 2500	55	25	10	20	--	1	78	86.7	143	38.1
2	2501 – 5000	43	19.5	25	50	2	13.3	2	2.2	72	19.2
3	5001– 10,000	15	6.8	5	10	3	20	6	6.7	29	7.7
4	10,001 – 25,000	12	5.5	4	8			3	3.3	19	5.1
5	25,001 – 50,000	64	29.1	6	12	6	40	1	1.1	76	20.3
6	50,001 – 75,000	22	10			4	26.7			27	7.2
7	75,001 – 1,00,000	9	4.1							9	2.4
	Total	**220**	**100**	**50**	**100**	**15**	**100**	**90**	**100**	**375**	**100**

***Source** : Field Survey*

An analysis of the above table reveals that majority of the units (as is the case with urban areas) about 90.4 percent have an investment of less than Rs.50, 000. Only about 9.6 percent of the units have investments between Rs.50, 001 to Rs.1, 00,000 and no investments above Rs.1, 00,000. Further, units investing less than Rs.25, 001 constitutes 70.1 percent, 65 percent below Rs.10, 001, 57.3 percent below Rs.5001 and 38.1 percent investing below Rs.2500 only. It shows that a unit in the informal sector in rural areas can be started with a minimum amount of investment i.e. below Rs.5001. These activities are pan shops and vegetable vendors in trade segment, tea stall and saloon in service segment, tailoring in manufacturing segment and masons and carpenters in construction segment.

Sub-sector wise analysis shows that trade activities like general shops and pharmacies require bigger amount of investment i.e. between Rs.25, 000 and Rs.1, 00,000. The construction segment column shows that majority of the units (86.7 percent) in this segment require very less amount of investment, below Rs.2500. The units in this segment with bigger investments relates to units using machineries in construction works such as electric cutters, planers and drillers. Service segment shows that about 70 percent of the units have an investment below Rs.5000. In manufacturing segment about one third of the units sampled had an investment between Rs.2501 and Rs.10, 000. The remaining 2/3rd had an investment varying between Rs.25, 001 to Rs.75, 001.

PATTERN AND STRUCTURE OF FINANCING.

The pattern and structure of financing activities in informal sector in rural areas is presented in the following table.

TABLE 5.9

Pattern and structure of financing informal sector units in rural areas

Sl No	Particulars	TRADE		SERVICE		MANUFACTURING		CONSTRUCTION		TOTAL	
		No	%	No	%	No	%	No	%	No	%
1	Self /Family	148	67.3	42	84	10	66.7	90	100	290	77.3
2	Friends / Relatives	24	10.9	5	10	4	26.7			33	8.8
3	Banks	15	6.8	3	6	1	6.6			19	5.1
4	Others (Credit / Advances)	33	15							33	8.8
	Total	**220**	**100**	**50**	**100**	**15**	**100**	**90**	**100**	**375**	**100**

Source : *Field Survey*

The data represented in the table above shows that more than 77 percent of the units sampled have financed their enterprises solely by themselves or with the help of family members. Friends and relatives have helped 8.8 percent of the entrepreneur in establishing their business.

Further, the study reveals that about 8.8 percent of the enterprises, particularly activities in trade sector finance their units by availing goods on credit from wholesalers. This system of supplying goods on credit is usually given to those entrepreneurs who are well known and trust worthy by the financiers. As and when the goods are sold, the entrepreneurs pay their dues and take other goods

on credit again. The price at which the goods are sold to this entrepreneurs on credit are, however slightly higher than what they would get, if it was bought in cash. Therefore, the profit margin for this kind of finance is found to be lower than other activities. In rural areas too, it is observed from the table 5.9 that the informal sector entrepreneur has very little access to institutional financing. A meagre 5.1 percent of the units have established their activities by availing loans from financial institutions. Thus, it is found that financial institution play an insignificant role in the formation and development of informal sector activities.

The problems of getting financial assistance from the banks as cited earlier in urban areas is also similar in the case of rural areas, such as lack of knowledge in procuring loans, long procedures, favouritism's and lack of securities to pledge.

About 18 percent of the entrepreneurs stated that bank interest is very high and so they feel it is more desirable to re-invest the profit generated from the enterprises. In fact, about 52 percent of the sample units have been found to be re-investing about 10 to 20 percent of their earnings back into their business. Ploughing back of profits to finance the enterprises is an indication of the financial efficiency of the informal sector that needs to be appreciated.

Further, 12 percent of the entrepreneurs stated that they are satisfied with the present size of investment and therefore are not interested in bank loans. Majority of the entrepreneurs however, mentioned their desire for availing financial assistance if loans are made available to them at cheaper rates and the procedures simplified.

SALES PERFORMANCE OF 375 INFORMAL UNITS IN THE RURAL AREAS:

From the field survey it is observed that the sales volume in the rural areas is comparatively lower than that of the urban areas. This is primarily because of less pressure of population and demand for the goods and services in a village in rural areas.

The total amount of annual sales of 375 informal sector units is estimated at Rs.630 lakhs. The average annual sales per unit of these 375 units is Rs1, 68,220 which comes to an average monthly sales of about Rs14,018 (Appendix Table-II)

There is however, considerable variation in the volume of sales at the unit level in the different sub-sectors because of differences in sizes of unit sampled. The average annual sales per unit is less than Rs.41, 000 and Rs.68, 000 in construction and service segment respectively, whereas it is Rs.99, 840 and Rs.2, 47,782 in manufacturing and trade segment respectively. Besides, in some sub-sectors, there are individual units that have an annual sales turnover of nearly Rs7 lakhs in the trade segment (as units from semi-urban areas have also been covered), while in some the annual sales turnover is hardly Rs.16,000 in the same sector. (Appendix table – II)

The frequency distribution of the 375 informal sector units in terms of their annual sales is given in following table 5.10

TABLE 5.10

Frequency Distribution of Sales Turnover in Rural Informal Sector Units.

Sl no	Particulars (Sales P.A in Rs.)	Trade		Service		Manufacturing		Construction		Total	
		No	%	No	%	No	%	No	%	No	%
1.	Upto 25,000			10	20	2	13.3	21	23.3	33	8.8
2.	25,001 to 50,000	34	15.5	16	32	4	26.7	62	68.9	116	30.9
3.	50,001 to 1,00,000	76	34.5	24	48	3	20	7	7.8	110	29.3
4.	1,00,001 to 1,50,000			-	-	2	13.3	-	-	2	0.5
5.	1,50,001 to 2,00,000	6	2.7	-	-	3	20	-	-	9	2.4
6.	2,00,001 to 2,50,000	9	4.1	-	-	1	6.7	-	-	10	2.7
7.	2,50,001 to 3,00,000	12	5.5	-	-	-	-	-	-	12	3.2
8.	3,00,001 to 4,00,000	25	11.4	-	-	-	-	-	-	25	6.7
9.	4,00,001 to 5,00,000	46	20.9	-	-	-	-	-	-	46	12.3
10	Above 5,00,000	12	5.5	-	-	-	-	-	-	12	3.2
TOTAL		**220**	**100**	**50**	**100**	**15**	**100**	**90**	**100**	**375**	**100**

Source *: Field Survey*

The above table reveals that majority of the units about 69 percent have annual sales turnover of less than Rs.1, 00,000 out of which near about 40 percent had annual sales between Rs.25, 001 – Rs.50, 000 and 8.8 percent of the units had annual sales below Rs.25, 000. The remaining 31 percent of the units had annual sales in the following frequencies: 0 .5 percent between Rs.1, 00,001 – Rs.1, 50,000; 2.4 percent between Rs.150, 001 – Rs.2, 00,000; 2.7 percent between Rs.2, 00,001 – Rs.2, 50,001; 3.2 percent between Rs.2, 50,001 – Rs.3, 00,000; 6.7 percent between Rs.3, 00,001 – Rs.4, 00,000; 12.3 percent between Rs.4, 00,001 – Rs.5, 00,000 and 3.2 percent above Rs.5, 00,000.

An analysis of the above table also shows that those units having bigger sales belong to the trade segment activities like General shops, Pharmacies and Butcher units.

Variations are noticed even in similar economic units, depending on the size and location of such units. Thus, informal activities in semi-urban areas especially administrative headquarters like Medziphema, Kiphire, Pfütsero, Baghti, Tuli, Tizit etc. (under rural areas) along the national highways are found to have bigger sales. The reason being more concentration of population and inhabitants consisting of government servants employed in various departments, which implies more purchasing power leading to bigger sales.

PROFITABILITY :

Profitability in the informal sector in rural areas measured in terms of sales is high and is estimated at 22.5 percent (Total profit as percent of total sales). The total amount of profit generated by 375 informal sector units in rural areas is

estimated at Rs142 lakhs Per annum. The average annual profit per unit is Rs.37,871, which comes to a monthly average profit of Rs.3,156 per unit. (Appendix table – II) . It is observed from the field survey that, although in the rural areas additional expenses in terms of transportation and labour charges have to be incurred, the profitability of the units are not lowered and are more or less at par with the urban areas. This, is because, the units are allowed to sell their goods above the printed price by about 10 – 15 percent to cover their additional expenses.

However, one factor that is affecting the profitability of the units in rural areas is the huge amount of bad debts incurred on credit sales, which has been reported by the entrepreneurs. As demand for the goods and services in the rural areas are less compared to urban areas (people from rural areas having a tendency to visit the urban areas for meeting their necessities) credit facilities are offered to clients whom they consider easily accountable as a means of expanding clientele for business. Yet, in many Instances this credit sales results into bad debts.

The profitability rate varies considerably between the different informal sector activities, ranging from 12 percent to 20 percent in activities like General shops, Butcher and Pan shops in trade segment to as high as 25 to 40 percent in pharmacies, vegetable vendors, tea stalls, Bakery and Photo studio's (Table Appendix- II).The units selling their services are showing huge amount of profits because, for this units what they sell is more or less their profits. The frequency distribution of profit generated in the 375 informal sector units is given in Table 5.11

TABLE 5.11

Frequency Distribution of Profit Generated in 375 Informal Sector Units in Rural Areas

Sl No	Particulars (profit P.A in Rs.)	Trade		Service		Manufacturing		Construction		Total	
		No	%	No	%	No	%	No	%	No	%
1.	Upto 5000	11	5	2	4	1	6.7	-	-	14	3.7
2.	5001 – 10,000	30	13.6	7	14	2	13.3	-	-	39	10.4
3.	10,001 – 25,000	56	25.5	29	58	4	26.7	11	12.2	100	26.7
4.	25,001 – 50,000	55	25	12	24	5	33.3	64	71.1	136	36.3
5.	50,001 – 75,000	61	27.7	-	-	3	20	15	16.7	79	2.1
6.	75,001 – 1,00,000	7	3.2	-	-	-	-	-	-	7	1.9
7.	Above 1,00,000	-	-	-	-	-	-	-	-	-	-
	TOTAL	**220**	**100**	**50**	**100**	**15**	**100**	**90**	**100**	**375**	**100**

Source : Field Survey

The table presented above reveals that almost all the informal sector units (98.1 percent) generate profit ranging between Rs.5001 to Rs.75,000. Only 1.9 percent had profit between Rs.75,0001 to Rs.1,00,000. About 63 percent of the units generated profit ranging between Rs.10,001 – Rs.50,000.

It is clear from the above evidence that the informal sector enterprises use very little capital and yet generates respectable level of income for a majority of the petty entrepreneurs. Most important of all, it provides a means of livelihood to many who would otherwise be jobless.

After analysing all the determinants of rural informal sector, it is evident that the contribution of this sector in terms of job creation and income generation is very much significant in the economy of Nagaland. In the next chapter an attempt has been made to critically review informal sector for the economic development of Nagaland with statistical analysis.

CHAPTER – VI

CRITICAL REVIEW OF INFORMAL SECTOR FOR ECONOMIC DEVELOMENT OF NAGALAND WITH STATISTICAL ANALYSIS.

INTRODUCTION – INFORMAL SECTOR ACTIVITIES – COMPOSITION OF ENTREPRENEURS AND EMPLOYMENT PATTERN OF 2000 UNITS SURVEYED – STATISTICAL ANALYSIS OF THE VARIOUS SEGMENT IN URBAN INFORMAL SECTOR – STATISTICAL ANALYSIS OF THE INFORMAL SECTOR IN RURAL AREAS – COMPARATIVE STUDY BETWEEN INFORMAL AND FORMAL SECTOR.

INTRODUCTION:

In the preceding two chapters the informal sector activities in the urban and rural areas of Nagaland have been identified and a data base on this segment of the economy, about which little is known has been presented. The present chapter attempts to make a critical review of the informal sector for drawing certain analytical and policy conclusions on the role of the informal sector in the economic development of Nagaland.

This chapter is divided into two sections. Section – I deals with the critical analysis of data collected with regard to employment generation, employment opportunities created, investment pattern, sales volume and profit generated in various segments of the informal sector from the urban areas of Nagaland. It then makes a consolidated analysis of the data collected from informal sector units in the rural areas.

In section - II an attempt has been made to make a comparative study of the urban informal sector with the rural informal sector as well as the formal sector activities to examine their profitability. In the concluding part of this chapter the importance of the informal sector in generating employment and income for the economic development of Nagaland has been evaluated.

SECTION – I

The analysis has been made on the basis of information collected by administering the questionnaire to the persons engaged in various segments like trade, service, manufacturing, construction and transport activities. For facilitating data analysis the various activities within the informal sector in urban areas have been identified and categorised into different segments which are stated as below.

INFORMAL SECTOR ACTIVITIES:

The tables below show the activities identified for analysis in different sectors.

TABLE 6.1

Activities constitute the trade sector

Sl.No	Activities	Sl.No	Activities	Sl.No	Activities
1	Grocery	10	Electric Goods	19	Pharmacy
2	Shoe Store	11	Motor parts	20	Pan Shops
3	Cloth Store	12	Cosmetic Units	21	Green Vegetables
4	Hardware	13	Wool Store	22	Fruit Stall
5	Utensil	14	Sports goods	23	Eggs
6	Stationary	15	Furnishings	24	Fish
7	Bookstall	16	Glass House	25	Butcher
8	Readymade Garments	17	Fire wood		
9	Variety Stores	18	Electronic goods		

TABLE – 6.2

Activities Constitute the Service Segment

Sl.No	Activities	Sl.No	Activities	Sl.No	Activities
1	Hotel	5	T.V/Radio/Watch repair	9	Saloon
2	Hostel	6	Tea Stall	10	Cobbler
3	Workshop	7	Video Cassette Library	11	Photostat
4	P.C.O	8	Battery repairing		

TABLE – 6.3

Activities Constitute Manufacturing Segment

Sl.No	Activities	Sl/No	Activities
1	Furniture	6	Trunk Making
2	Bakery	7	Hood Making
3	Steel Fabrication	8	Blacksmith
4	Photo Studio	9	Bamboo Works
5	Tailoring		

TABLE – 6.4

Activities Constitute Construction Segment

Sl.No	Activities
1	Mason's (Brick and Cement)
2	Mason's (Stones)
3	Carpenters (House Construction)

TABLE – 6.5

Activities Constitute Transport Segment

Sl.No	Activities
1	Rickshaw
2	Cart pullers

The above tables show that 50 informal activities consisting of 25 in trade, 11 in service, 9 in manufacturing, 3 in construction and 2 in transport have been surveyed for the purpose of analysis. The number of units sampled from each sector has been made on the basis of the concentration of activities in the urban areas. Trade activity constitutes the maximum number of activities prevalent in

the urban areas followed by service, manufacturing, construction and transport activity respectively.

ENTREPRENEURS AND EMPLOYMENT PATTERN OF 2000 UNITS SURVEYED IN DIFFERENT SEGMENTS OF THE URBAN INFORMAL SECTOR:

An attempt has been made to study the composition of entrepreneurs as well as the employment pattern of people of the state vis-à-vis people belonging to the other states in urban informal sector in Nagaland. This has been reflected in the table below. The data have been collected of a sample of 2000 units through the questionnaire administered during the field study.

The table below shows the sector wise number of units, entrepreneurs as well as employment pattern that exist in informal sector in urban areas of Nagaland.

TABLE 6.6

Segment-wise, no. of units, entrepreneurs and employment pattern of 2000 sampled units in informal sector in urban area

SI NO	SEGMENT	No. of Units	ENTREPRENEURS			EMPLOYMENT			PER UNIT EMPLO-YMENT
			NAGA	NON-NAGA	TOTAL	NAGA	NON-NAGA	TOTAL	
1	TRADE	1050	325(31)	725(69)	1050(100)	456(24)	1,470(76)	1926(100)	1.8
2	SERVICE	140	62(44)	78 (56)	140(100)	85 (27)	225(73)	310 (100)	2.2
3	MANUFA-CTURING	70	13(19)	57 (81)	70(100)	23(13)	154(87)	177 (100)	2.5
4	CONSTRU-CTION	310	142(44)	168(56)	310(100)	285(29)	700(71)	985 (100)	3.2
5	TRANSPORT	430	-------	430(100)	430(100)	-----	430(100)	430 (100)	1
GRAND TOTAL		**2000**	**542(27)**	**1,458(73)**	**2000(100)**	**849(22)**	**2979(78)**	**3828(100)**	**1.9**

Source : *Field Survey*

Note : *Figures in parenthesis are percent of Total .*

An analysis of the above table shows that the ratio of Naga to non-Naga is 27:73 for entrepreneurs and 22:78 for employment. It indicates that informal sector in urban areas are pre-dominated by people from outside the state in all the segments with the exception of service and construction segment entrepreneur (44:56) where the Employment Pattern indicates that the people from the state (Nagas) are actively engaged.

The above table reveals that construction segment generates the maximum employment in terms of employment per units (3.2) followed by manufacturing (2.5), service (2.2), trade (1.8) and transport (1) respectively. In transport segment it is observed that the entrepreneurs themselves are operating the units without engaging any workers. Further, it also implies that the urban informal sector offers plenty of employment opportunities, provided people have the spirit of entrepreneurship and are made aware of the vast potentialities available in this sector of the economy.

STATISTICAL ANALYSIS OF THE VARIOUS SECTORS IN INFORMAL SECTOR IN URBAN AERAS WITH REGARDS TO INVESTMENT, SALES AND PROFIT:

The relationship between variables such as investment, sales and profit are considered to be important variables in determining the viability, growth and

survival of any economic activity in the economy. This is also taken to be true in the case of informal sector units. Therefore the relationship and impact of investment on profit and sale on profit are studied with the help of a linear regression equation. The analysis have been made separately for all the different segments of the informal sector in the urban areas.

Trade segment:

1050 units of 25 activities under informal trade segment in urban areas have been surveyed for the purpose of the present study. The data relating to investment, sale and profit of the above mentioned activities have been analysed through regression analysis approach.

The table below shows the variables like investment, sale and profit figures in informal trade segment in urban areas. The figures stated in Investment Column represent the average stock held by the persons engaged in informal sector in various activities. The average stock has been calculated on monthly basis. In some cases the amount spent at the time of establishment has also been taken into consideration. The figures stated in sales and Profit Column's represent the average sales and profits per Annum.

TABLE 6.7

Activities, no. of units, Investment, Sales and Profit figures of 1050 sample units in Informal trade sector in Urban areas

Sl. No	ACTIVITIES	NO. OF UNITS	VARIABLES		
			TOTAL INVESTMENT (Rs)	TOTAL SALE P.A (Rs)	TOTAL PROFIT P.A(Rs)
1	Grocery	70	48,16,210	2,83,13,040	33,96,960
2	Shoe	40	36,11,400	85,20,000	21,78,240
3	Textile	40	55,12,720	1,34,85,600	20,22,880
4	Hardware	30	42,80,760	1,47,15,690	22,07,160
5	Utensil	30	39,24,990	1,10,76,000	22,36,680
6	Stationery	30	43,20,200	2,40,46,260	28,85,520
7	Bookstall	20	35,16,660	1,09,30,550	21,85,920
8	Readymade goods	60	70,16,220	1,64,07,640	36,09,360
9	Variety stores	60	68,28,370	3,28,32,130	49,24,810
10	Electrical	20	48,00,070	1,19,70,380	23,94,180
11	Motor Parts	40	56,45,660	1,16,94,070	35,08,320
12	Cosmetics	10	17,19,320	33,12,110	4,96,800
13	Wool store	12	14,05,710	27,93,600	6,98,440
14	Sports goods	5	5,82,130	11,43,020	2,51,450
15	Furnishings	5	12,35,400	13,12,000	3,27,960
16	Glass House	10	12,23,100	39,00,370	9,36,010
17	Firewood	8	4,60,000	30,81,600	4,62,240
18	Electronics	5	3,50,200	19,57,800	3,10,080
19	Pharmacy	30	33,81,150	1,26,72,000	31,68,000
20	Pan Shops	300	20,56,200	3,60,48,600	90,14,450
21	Vegetable vendors	160	8,85,280	2,14,18,720	53,54,880
22	Fruits	20	1,10,800	49,92,850	9,98,400
23	Eggs	15	1,80,460	46,80,250	8,42,450
24	Fish	10	2,50,000	60,20,100	5,80,000
25	Butcher	20	7,80,800	4,36,80,000	10,80,000
	TOTAL	**1050**	**6,88,93,810**	**33,10,04,380**	**5,60,61,690**

***Source**: Field Survey.*

A linear regression equation was fitted to the data represented in the table above among the variables – investment, sale and profit. The linear effect of investment on profit and sale on profit have been evaluated by applying separate regression equation for each analysis. The regression equation is in the following form :

$$Y = A_1 + \beta_1 X_1 + U_1 \text{ (Profit on investment)}$$

$$Y = A_2 + \beta_2 X_2 + U_2 \text{ (Profit on Sale)}$$

Where Y = Profit per annum in Rs.

X_1 = Investment per annum in Rs.

X_2 = Sale per annum in Rs.

U_1 = Random disturbance term.

U_2 = Random disturbance term.

A_1 and A_2 are constant, β_1 and β_2 are the partial regression co-efficient of investment and sale respectively.

The value of multiple determination (R^2) for investment is estimated as 0.204 which indicates that about 20 percent variation of the total variation in profit is explained by investment. R^2 is found to be significant at 5 percent level of significance.

The partial regression co-efficient (β_1) is 0.412 which is significant at 5 percent level of significance, which indicates that if there is an increase in investment by Re 1, Profit will be increased by 41 paisa approximately.

Service segment :

140 units of 11 (eleven) activities under informal service segment in urban areas have been surveyed for the purpose of the present study. The table below shows the variables like investment, sale and profit figures in informal service segment in urban areas.

TABLE 6.8

Activities, no. of units, Investment, Sales and Profit figures of 140 sample units in Informal service segment in Urban areas

Sl/ No	ACTIVITIES	NO. OF UNITS	VARIABLES		
			TOTAL INVESTMENT (Rs)	TOTAL SALE P.A (Rs)	TOTAL PROFIT P.A(Rs)
1	Photostat	15	31,50,000	35,10,000	14,04,000
2	Hotel	15	26,42,250	65,00,055	16,25,040
3	Hostel	10	6,00,000	36,00,000	11,04,000
4	Workshop	15	8,10,000	23,04,000	13,89,600
5	P.C.O	15	9,90,850	16,68,000	4,16,880
6	TV/Radio/ Watch Repair	12	3,49,092	16,18,032	6,47,136
7	Tea Stall	15	31,995	23,40,000	7,02,000
8	Video Cassette Library	7	3,15,000	13,10,400	3,93,120
9	Battery Repairing	8	56,000	4,15,328	3,14,496
10	Saloon	14	79,996	6,76,788	4,06,056
11	Cobbler	14	445,402	3,28,594	2,62,920
Total		**140**	**90,69,735**	**2,42,75,197**	**86,65,248**

***Source**: Field Survey.*

The linear effect of investment on profit and sales on profit have been evaluated by applying separate regression equation's for each analysis. The equation form is :

$$Y = A_1 + \beta_1 X_1 + U_1 \text{ (Profit on investment)}$$

$$Y = A_2 + \beta_2 X_2 + U_2 \text{ (Profit on Sale)}$$

Where, Y = Profit per annum in Rs.

X_1 = Investment per annum in Rs.

X_2 = Sale per annum in Rs.

U_1 = Random disturbance term.

U_2 = Random disturbance term.

A_1 and A_2 are constant, β_1 and β_2 are the partial regression co-efficient of investment and sale respectively.

The value of multiple determination (R^2) for investment is estimated as 0.204 which indicates that about 60 percent variation of the total variation in profit is explained by investment. R^2 is found to be significant at 1 percent level of significance. The partial regression co-efficient (β_1) is 0.361 which is significant at 5 percent level, which indicates that if there is an increase in investment by Re 1, Profit will be increased by 36 paisa approximately. The value of multiple determination (R^2) for sale is found to be 0.770 which indicates that about 77 percent variation of profit is explained by sale. R^2 is found to be significant at 1 percent level of significance. The partial regression co-efficient (β_2) is 0.244 which is significant at 1 percent level of significance which indicates that if there is an increase in sale by Re.1, profit will be increased by 24 paisa approximately.

Manufacturing segment :

The manufacturing segment Comprises of 9 activities and the number of respondents responding to the questionnaire amounted to 70 units.

The table below shows the variables such as investment, sale and profit figures in informal manufacturing segment in urban areas.

TABLE 6.9

Activities, no. of units, Investment Sales and Profit figures of 70 sample units in Informal manufacturing segment in Urban areas

Sl. No	ACTIVITIES	NO. OF UNITS	VARIABLES		
			TOTAL INVESTMENT (Rs)	TOTAL SALE P.A (Rs)	TOTAL PROFIT P.A (Rs)
1	Furniture	11	4,40,000	33,00,000	6,60,000
2	Bakery	8	11,14,904	48,52,360	10,18,944
3	Steel Fabrication	8	4,00,000	28,80,000	6,33,600
4	Photo studio	8	9,32,000	18,33,600	4,95,072
5	Tailoring	15	1,24,995	12,24,000	9,30,240
6	Trunk Making	4	52,000	4,32,000	1,51,200
7	Hood Maker	5	25,000	4,80,000	2,54,400
8	Blacksmith	6	18,000	3,09,600	2,22,912
9	Bamboo works	5	1,68,000	5,40,000	1,89,000
Total		**70**	**32,74,899**	**1,58,51,560**	**45,55,368**

Source: *Field Survey.*

A linear regression equation was fitted to the data represented in the table above among the variables – investment, sale and profit. The linear effect of investment on profit and sale on profit is evaluated for each case by applying separate equation. The regression equation is in the following form :

$Y = A_1 + \beta_1 X_1 + U_1$ (Profit on investment)

$Y = A_2 + \beta_2 X_2 + U_2$ (Profit on Sale)

Where, Y = Profit per annum in Rs.

X_1 = Investment per annum in Rs.

X_2 = Sale per annum in Rs.

U_1 = Random disturbance term.

U_2 = Random disturbance term.

A_1 and A_2 are constant, β_1 and β_2 are the partial regression co-efficient of investment and sale respectively.

The value of multiple determination (R^2) for investment is estimated as 0.375 which indicates that about 37 percent variation of the total variation in profit is explained by investment. The partial regression co-efficient (β_1) is 0.492 which indicates that if there is an increase in investment by Re 1, Profit will be increased by 49 paisa approximately. The value of multiple determination (R^2) for sale is found to be 0.634 which indicates that about 63 percent variation of profit is explained by sale. R^2 is found to be significant at 5 percent level of significance. The partial regression co-efficient (β_2) is 0.163 which is significant at 1 percent level of significance which indicates that if there is an increase in sale by Re.1, profit will be increased by 16 paisa approximately.

Construction and transport segment:

The activities surveyed in construction and transport segment are only 3 and 2 respectively. As the type of activity studied are very less, the two segment have been combined and analysed for the sake of convenience. 310 units of construction and 430 units of transport have been surveyed for the purpose.

The table below shows the variables like investment, sale and profit figures in informal construction and transport segment.

TABLE 6.10

Activities, no. of units, Investment, Sales and Profit figures of 310 sample units in construction and 430 sampled units in transport segment under informal sector in Urban areas

Sl. No	ACTIVITIES	NO. OF UNITS	VARIABLES		
			TOTAL INVESTM-ENT(Rs)	TOTAL SALE P.A (Rs)	TOTAL PROFIT P.A(Rs)
1	MASONS (Brick & Cement)	120	60,000	82,36,800	74,88,000
2	MASONS (Stones)	140	14,000	87,36,000	67,20,000
3	CARPENTERS (House construction)	50	60,000	30,00,000	21,60,000
4(A)	RICKSHAW	280	14,70,000	78,62,400	65,52,000
5	CART PULLER	150	1,98,000	44,46,000	37,44,000
Total		**740**	**18,02,000**	**3,22,81,200**	**2,66,64,000**

***Source**: Field Survey.*

(A) Serial no. 1-3 represents Construction activities and Sl/No 4 & 5 that of transport segment.

A linear regression equation was fitted to the data represented in the table above among the variables – investment, sale and profit. The linear effect of investment on profit and sale on profit is evaluated for each case by applying separate equation. The regression equation is in the following form :

$Y = A_1 + \beta_1 X_1 + U_1$ (Profit on investment)

$Y = A_2 + \beta_2 X_2 + U_2$ (Profit on Sale)

Where, Y = Profit per annum in Rs.

X_1 = Investment per annum in Rs.

X_2 = Sale per annum in Rs.

U_1 = Random disturbance term.

U_2 = Random disturbance term.

A_1 and A_2 are constant, β_1 and β_2 are the partial regression co-efficient of investment and sale respectively.

The value of multiple determination (R^2) for investment is estimated as 0.064 which indicates that about 6 percent variation of the total variation in profit is explained by investment. The partial regression co-efficient (β_1) is 0.922 which indicates that if there is an increase in investment by Re 1, Profit will be increased by 92 paisa approximately. The value of multiple determination (R^2) for sale is found to be 0.962 which indicates that about 96 percent variation of profit is explained by sale. R^2 is found to be significant at 1 percent level of significance. The partial regression co-efficient (β_2) is 0.868 which is significant at 1 percent level of significance which indicates that if there is an increase in sale by Re.1, profit will be increased by 87 paisa approximately.

COMPARATIVE STUDY OF REGRESSION ANALYSIS FINDINGS AMONG THE VARIOUS SEGMENTS IN URBAN INFORMAL SECTOR.

After analysing the trend of growth and relationship between the variables like investment, sale and profit in the various segments in Urban informal sector, an attempt has been made to study the trend of profitability of different segments in informal sector in urban areas. The table below show the findings of regression analysis on different segments of the urban informal sector considered in terms of the linear effect of investment on profit.

TABLE 6.11

Regression Analysis Findings on Different Segments of the Informal sector in Urban areas (Investment on Profit)

Sl. No	SEGMENT	REGRESSION CO-EFFICIENT	T VALUE	MULTIPLE Determination (R^2)	F RATIO	STANDARD ERROR
1	Trade	0.4116	2.426	0.2037	5.884	0.1697
2	Manufacturing	0.4920	2.049	0.3748	4.197	0.2401
3	Service	0.3609	3.714	0.6051	13.790	0.0972
4	Construction & Transport	0.9217	0.453	0.0641	0.205	2.0332

***Source**: Field Survey.*

An analysis of the regression co-efficient figures in the above table shows that construction and transport sector are the most profitable segments in the urban informal sector considered in terms of investment. If investment is increased by Re.1, profit will be increased by 92 paisa. In other words, investing in these

activities will lead to most profits. Manufacturing segment is the next most profitable activity followed by trade and service segments in the urban informal sector.

A similar analysis is made in terms of the effect of sales on profit. The following table depicts the findings of regression analysis on different segments of the informal sector in urban areas in terms of the linear effect of sale on profits.

TABLE 6.12

Regression Analysis Findings on different Segments of the Informal sector in Urban areas (Sales on Profit)

Sl. No	SEGMENT	REGRESSION CO-EFFICIENT	T VALUE	MULTIPLE Determination (R^2)	F RATIO	STANDARD ERROR
1	Trade	0. 1183	4.517	0.4701	20.402	0.0262
2	Manufacturing	0.1626	3.485	0.6344	12.145	0.0466
3	Service	0.2435	5.495	0.7704	30.190	0.0443
4	Construction & Transport	0.8687	8.765	0.9624	76.826	0.0991

It can be observed from the above table that construction and transport activities are the most profitable segments of the urban informal sector considered in terms of the effect of sale on profit. This is followed by service, manufacturing and trade.

ANALYSIS OF INTRA TRADE ACTIVITIES IN URBAN INFORMAL SECTOR :

Since the trading segment activities constitute the major activities prevalent in the urban informal sector engaging the major work force and providing maximum employment opportunities (1050 unit out of 2000 units sampled i.e more than 50 percent of total sample unit surveyed). It is considered important to study the investment, sale and profitability behaviour of intra - unit activities in this segment.

The trade segment comprises about 25 activities. An analysis has been made by classifying trade activities into four groups which are stated below:

GROUP A - Consumable goods

GROUP B - House ware

GROUP C - Human wares

GROUP D - Miscellaneous

GROUP D includes those activities which could not be classified either in Group A, B, or C.

GROUP A – Consumable goods:

The table below shows the variables like investment, sale and profit figures in GROUP A (Consumable goods) of the trade informal segment in urban areas.

TABLE 6.13

Activities, no. of units, Investment, Sales and Profit figures of Group A under trade informal segment in Urban areas

Sl. No	ACTIVITIES	NO. OF UNITS	VARIABLES		
			TOTAL INVESTMENT (Rs)	TOTAL SALE P.A (Rs)	TOTAL PROFIT P.A (Rs)
1	Grocery	70	48,16,210	2,83,13,040	33,96,960
2	Pharmacy	30	33,81,150	1,26,72,000	31,68,000
3	Pan shops	300	20,56,200	3,60,48,600	90,14,450
4	Vegetable vendors	160	8,85,280	2,14,18,720	53,54,880
5	Fruits	20	1,10,800	49,92,850	9,98,400
6	Eggs	15	1,80,460	46,80,250	8,42,450
7	Fish	10	2,50,000	60,20,100	5,70,500
8	Butcher	20	7,80,800	4,36,80,000	10,80,000
Total		**625**	**1,24,60,900**	**15,78,25,560**	**2,44,25,640**

Source: *Field Survey.*

A linear regression equation was fitted to the data represented in the table above among the variables – investment, sale and profit. The linear effect of investment on profit and sale on profit is evaluated for each case by applying separate equation. The regression equation is in the following form :

$Y = A_1 + \beta_1 X_1 + U_1$ (Profit on investment)

$Y = A_2 + \beta_2 X_2 + U_2$ (Profit on Sale)

Where, Y = Profit per annum in Rs.

X_1 = Investment per annum in Rs.

X_2 = Sale per annum in Rs.

U_1 = Random disturbance term.

U_2 = Random disturbance term.

A_1 and A_2 are constant, β_1 and β_2 are the partial regression co-efficient of investment and sale respectively.

The value of multiple determination (R^2) for investment is estimated as 0.164 which indicates that about 14 percent variation of the total variation in profit is explained by investment. The partial regression co-efficient (β_1) is 0.647, which indicates that if there is an increase in investment by Re 1, Profit will be increased by 64 paisa approximately. The value of multiple determination (R^2) for sale is found to be 0.246 which indicates that about 24 percent variation of profit is explained by sale. R^2 is found to be significant at 1 percent level of significance. The partial regression co-efficient (β_2) is 0.096 which is significant at 1 percent level of significance which indicates that if there is an increase in sale by Re.1, profit will be increased by 10 paisa approximately.

GROUP B - House wares

The table below shows the variables like investment, sale and profit figures of Group B (House wares) under trade informal segment in urban areas.

TABLE 6.14

Activities, no. of units, Investment, Sale and Profit figures of Group B under the trade informal sector in Urban areas

Sl. No	ACTIVITIES	NO. OF UNITS	VARIABLES		
			TOTAL INVESTMENT (Rs)	TOTAL SALE P.A (Rs)	TOTAL PROFIT P.A(Rs)
1	Hardware	30	42,80,760	1,47,15,690	22,07,160
2	Utensil	30	39,24,990	1,10,76,000	22,36,680
3	Furnishings	5	12,35,400	13,12,000	3,27,960
4	Glass house	10	12,23,100	39,00,370	9,36,010
5	Electrical Goods	20	48,00,070	1,19,70,380	23,94,180
Total		**95**	**1,54,64,320**	**4,29,74,440**	**81,01,990**

Source: *Field Survey.*

The data as shown in the table above has been fitted to a linear regression equation to study the impact of investment on profit and sale on profit.

The regression equation is in the following form :

$Y = A_1 + \beta_1 X_1 + U_1$ (Profit on investment)

$Y = A_2 + \beta_2 X_2 + U_2$ (Profit on Sale)

Where, Y = Profit per annum in Rs.

X_1 = Investment per annum in Rs.

X_2 = Sale per annum in Rs.

U_1 = Random disturbance term.

U_2 = Random disturbance term.

A_1 and A_2 are constant, β_1 and β_2 are the partial regression co-efficient of investment and sale respectively.

The value of multiple determination (R^2) for investment is estimated as 0.932 which indicates that about 93 percent variation of the total variation in profit is explained by investment. R^2 is found to be significant at 1 percent level of significance. The partial regression co-efficient (β_1) is 0.519 which is significant at 1 percent level of significance. It indicate that if investment is increased by Re 1, profit will increased by 52 paisa approximately.

The value of multiple determination (R^2) for sale is found to be 0.920 which indicates that about 92 percent variation of profit is explained by sale. R^2 is found to be significant at 1 percent level of significance. The partial regression co-efficient (β_2) is 0.157 which is significant at 1 percent level of significance which indicates that if there is an increase in sale by Re.1, profit will be increased by 16 paisa approximately.

GROUP C - Human wares

The table below shows the variables – investment, sale and profit figures of Group C (Human wares) under trade informal segment in urban areas.

TABLE 6.15

Activities, no. of units, Investment, Sales and Profit figures of Group C under trade segment.

Sl. No	ACTIVITIES	NO. OF UNITS	VARIABLES		
			TOTAL INVESTMENT (Rs)	TOTAL SALE P.A (Rs)	TOTAL PROFIT P.A (Rs)
1	Shoe Store	40	36,11,400	85,20,000	21,78,240
2	Cloth Store	40	55,12,720	1,34,85,600	20,22,880
3	Ready made garments	60	70,16,220	1,64,07,640	36,09,360
4	Cosmetic Units	10	17,19,320	33,12,110	4,96,800
5	Wool store	12	14,05,710	27,93,600	6,98,440
Total		**162**	**1,92,65,370**	**4,45,18,950**	**90,05,720**

Source: *Field Survey.*

The data as shown in the table above has been fitted to a linear regression equation to study the impact of investment on profit and sale on profit. Separate regressions have been used for the purpose of analysis. The equation is in the following form :

$$Y = A_1 + \beta_1 X_1 + U_1 \text{ (Profit on investment)}$$

$$Y = A_2 + \beta_2 X_2 + U_2 \text{ (Profit on Sale)}$$

Where, Y = Profit per annum in Rs.

X_1 = Investment per annum in Rs.

X_2 = Sale per annum in Rs.

U_1 = Random disturbance term.

U_2 = Random disturbance term.

A_1 and A_2 are constant, β_1 and β_2 are the partial regression co-efficient of investment and sale respectively.

The value of multiple determination (R^2) for investment is estimated as 0.884 which indicates that about 88 percent variation of the total variation in profit is explained by investment. R^2 is found to be significant at 5 percent level of significance. The partial regression (β_1) is 0.491 which is significant at 2 percent level of significance. It indicates that if investment is increased by Re 1, profit will increased by 49 paisa approximately.

The value of multiple determination (R^2) for sale is found to be 0.870 which indicates that about 87 percent variation of profit is explained by sale. R^2 is found to be significant at 5 percent level of significance. The partial regression co-efficient (β_2) is 0.195 which is significant at 5 percent level of significance. It indicates that if sales is increased by Re.1, profit will be increased by 20 paisa approximately.

GROUP D - Miscellaneous

The table below shows the variables like – investment, sale and profit figures of Group D (Miscellaneous) under trade informal segment in urban areas.

TABLE 6.16

Activities, no. of units, Investment, Sales and Profit figures of Group D (Miscellaneous) under trade segment.

Sl/ No	ACTIVITIES	NO. OF UNITS	VARIABLES		
			TOTAL INVESTMENT (Rs)	TOTAL SALE P.A (Rs)	TOTAL PROFIT P.A (Rs)
1	Stationery	30	43,20,200	2,40,46,260	28,85,520
2	Book Stores	20	35,16,660	1,09,30,550	21,85,920
3	Variety Stores	60	68,28,370	3,28,32,130	49,24,810
4	Motor parts	40	56,45,660	1,16,94,070	35,08,320
5	Sports goods	5	5,82,130	11,43,020	2,51,450
6	Firewood	8	4,60,000	30,81,600	4,62,240
7	Electronics	5	3,50,200	19,57,800	3,10,080
Total		**168**	**2,17,03,220**	**8,56,85,430**	**1,45,28,340**

Source: *Field Survey.*

The data as shown in the table above has been fitted to a linear regression equation to study the impact of investment on profit and sale on profit. Separate regressions have been used for the purpose of analysis. The equation is in the following form :

$$Y = A_1 + \beta_1 X_1 + U_1 \text{ (Profit on investment)}$$

$$Y = A_2 + \beta_2 X_2 + U_2 \text{ (Profit on Sale)}$$

Where, Y = Profit per annum in Rs.

X_1 = Investment per annum in Rs.

X_2 = Sale per annum in Rs.

U_1 = Random disturbance term.

U_2 = Random disturbance term.

A_1 and A_2 are constant, β_1 and β_2 are the partial regression co-efficient of investment and sale respectively.

The value of multiple determination (R^2) for investment is estimated as 0.986 which indicates that about 98 percent variation of the total variation in profit is explained by investment. R^2 is found to be significant at 1 percent level of significance. The partial regression (β_1) is 0.676 which is significant at 1 percent level of significance. It indicates that if investment is increased by Re 1, profit will increased by 68 paisa approximately. The value of multiple determination (R^2) for sale is found to be 0.831 which indicates that about 83 percent variation of profit is explained by sale. R^2 is found to be significant at 1 percent level of significance. The partial regression co-efficient (β_2) is 0.137 which is significant at 1 percent level of significance. It indicates that if sales is increased by Re.1, profit will be increased by 14 paisa approximately.

COMPARATIVE STUDY OF REGRESSION ANALYSIS FINDINGS AMONG THE VARIOUS GROUPS IN TRADE INFORMAL SEGMENT IN URBAN AREAS.

After analysing the trend of growth and relationship between the variables like investment, sale and profit in Intra –trade activities in urban informal sector, an attempt has been made to study the trend of Profitability of different groups in trade informal segment in urban areas.

The table below shows the findings obtained from the regression analysis on different groups of the urban informal sector considered in terms of the linear effect of investment on profit.

TABLE 6.17

Regression Analysis findings on Intra – trade activities in Informal trade segment in Urban areas.

(Investment on Profit)

Group	REGRESSION CO-EFFICIENT	T VALUE	MULTIPLE Determination (R^2)	F RATIO	STANDARD ERROR
A	0.6469	1.012	0.1458	1.024	0.6393
B	0.5191	6.387	0.9315	40.789	0.0813
C	0.4914	4.787	0.8842	22.916	0.1026
D	0.6760	18.929	0.9862	358.301	0.0357

An examination of the regression co-efficient figures in the above table shows that Group D (Miscellaneous) is the most profitable group under trade segment considered in terms of the effect of investment on profit (If investment is increased by Re 1, profit will be increased by 67 paisa). Group A is the next most profitable group followed by B and C respectively.

A similar analysis is made to study the ranking among groups in the informal trade segment with regards to their profitability measured in terms of sale. The

following table exhibits the findings of regression analysis on different groups of the informal trade segment in terms of the linear effect of sale on profit.

TABLE 6.18

Regression Analysis Findings of Intra – trade activities in Informal trade segment of Urban areas.

(Sale on Profit)

Group	REGRESSION CO-EFFICIENT	T VALUE	MULTIPLE Determination(R^2)	F RATIO	STANDARD ERROR
A	0.0962	1.398	0.2457	1.954	0.0688
B	0.1565	5.886	0.9203	34.648	0.0266
C	0.1949	4.484	0.8702	20.107	0.0435
D	0.1372	4.961	0.8312	24.613	0.0277

The regression co-efficient figures in the table above shows that Group C is the most profitable Group measured in terms of sale followed by Group B, D and A respectively.

It can therefore be concluded from the above analysis of the urban informal sector that all the activities under informal sector are viable units which will contribute significantly to the economic development of Nagaland.

STATISTICAL ANALYSIS OF THE INFORMAL SECTOR IN RURAL AREAS OF NAGALAND :

The analysis of the informal sector activities in the rural areas have been made on the basis of information collected by administering the questionnaire to the persons engaged in various segments like trade, service, manufacturing and

construction activities. As mentioned earlier, transport informal activities like rickshaw and cart pullers are not in existence in the rural areas because of the highly terrain nature and the absence of a well developed road system.

The selection of sample units in rural informal sector has been reflected in table No 5.2 of chapter –V (Informal Sectors in rural areas).

The table below shows the activities taken for analysis from different sectors.

TABLE 6.19

Informal Sector Activities in the rural areas.

Sl No	Trade Sector	Sl No	Service Sector	Sl no	Manufacturing Sector	Sl No	Construction Sector
1	General Shops	6	Hotels / Tea stalls	9	Tailors	12	Masons (Brick & Cement)
2	Pharmacies	7	Workshop	10	Bakery	13	Masons (Stone)
3	Pan Shop	8	Saloon	11	Photo studio	14	Carpenter (House construction)
4	Vegetable Vendors						
5	Butcher						

Source : *Field Survey*

The above table shows that 14 activities consisting of 5 in trade, 3 in service, 3 in manufacturing and 3 in construction have been surveyed for the purpose of analysis. The criteria for selecting no. of units to be sampled has been taken on the basis of the pre-dominance of activities in the rural areas.

The following table shows the sector wise no. of units surveyed, entrepreneurs and employment pattern prevailing in informal sector in rural areas of Nagaland.

TABLE 6.20

Sector-wise, no. of units, entrepreneurs and employment pattern of 375 sampled units in informal sector in rural areas

Sl No	SECTOR	No. of Units	ENTREPRENEURS			EMPLOYMENT			PER UNIT EMPLO-YMENT
			NAGA	NON-NAGA	TOTAL	NAGA	NON-NAGA	TOTAL	
1	TRADE	220	137(62)	83(38)	220(100)	192(57)	147(43)	339(100)	1.5
2	SERVICE	50	16(32)	34(68)	50(100)	23(23)	76(77)	99 (100)	1.9
3	MANUFA-CTURING	15	5(33)	10 (67)	15 (100)	7(21)	27(79)	34(100)	2.3
4	CONSTR-UCTION	90	45(50)	45(50)	90(100)	90(41)	130(59)	220(100)	2.4
GRAND TOTAL		**375**	**203(54)**	**172(46)**	**375(100)**	**312(45)**	**380(55)**	**692(100)**	**1.8**

Source : *Field Survey*

Note : Figures in Parenthesis are percent of total

An examination of the above table shows that the ratio of Naga to non-Naga is about 54:46 for entrepreneurs and 45:55 for employment. It indicates that the informal sector activities in rural areas in general are operated by Nagas and non-Nagas almost equally. However, sector wise analysis shows that in trade segment Nagas are more involved whereas in service and manufacturing segment, non-Nagas have a majority.

An examination of the employment pattern also indicates that Nagas are more employed in trade segment, whereas in service, manufacturing and construction segment, non-Nagas have a majority.

The above table reveals that construction and manufacturing segment generates more employment (2.4 & 2.3) per unit followed by service and trade segment respectively. It also signifies that the informal sector in rural areas offer employment opportunities to those who have the spirit of entrepreneurship.

The type of informal activities prevalent in the rural areas (in general) are only of a limited number i.e. 14 activities as compared to 50 activities in the urban areas. Therefore, the activities in the rural areas have been analysed in a consolidated form taking together all the four segments.

The statistical analysis of the rural informal sector have been made with the help of a linear regression equation taking into consideration the variables – investment, sale and profit. The linear effect of investment on profit and sale on profit have been evaluated by applying separate regression equation for each analysis. The table below shows the activity wise numbers of units, investment, sale and profit figures of 375 sampled units in informal sector in the rural areas.

TABLE 6.21
Activities, no. of units, Investment, Sales and Profit figures of 375 sample units in Informal trade segment in rural areas

Sl/ No	ACTIVITIES	NO. OF UNITS	VARIABLES		
			TOTAL INVESTMENT(Rs)	TOTAL SALE P.A (Rs)	TOTAL PROFIT P.A(Rs)
1	General Shops	80	38,40,000	3,54,43,200	53,16,480
2	Pharmacy	15	10,45,005	30,04,560	7,51,140
3	Pan shops	80	1,87,360	62,40,000	12,48,000
4	Vegetable Vendors	30	84,000	26,20,800	7,86,240
5	Butcher	15	3,60,000	72,03,600	8,64,000
6	Hotels/Tea Stalls	30	76,500	28,08,000	7,02,000
7	Workshop	10	3,04,000	4,22,400	3,16,800
8	Saloon	10	14,000	1,56,000	1,32,000
9	Tailoring	5	27,000	1,24,800	1,14,000
10	Bakery	5	3,50,000	9,67,200	3,38,520
11	Photo studio	5	2,10,000	4,05,600	1,62,240
12	Masons (Brick)	30	15,000	11,66,400	10,94,400
13	Masons (Stones)	20	14,000	7,92,000	7,44,000
14	Carpenters (Constructions)	40	48,000	17,28,000	16,32,000
Total		**375**	**65,74,865**	**6,30,82,560**	**1,42,01,820**

Source: *Field Survey.*

A linear regression equation was fitted to the data represented in the table above among the variables – investment, sale and profit. The linear effect of investment on profit and sale on profit has been evaluated by applying separate regression equation for each analysis. The regression equation is in the following form :

$Y = A_1 + \beta_1 X_1 + U_1$ (Profit on investment)

$Y = A_2 + \beta_2 X_2 + U_2$ (Profit on Sale)

Where, Y = Profit per annum in Rs.

X_1 = Investment per annum in Rs.

X_2 = Sale per annum in Rs.

U_1 & U_2 are Random disturbance term.

A_1 and A_2 are constant, β_1 and β_2 are the partial regression co-efficient of investment and sale respectively.

The value of multiple determination (R^2) for investment is estimated as 0.814 which indicates that about 81 percent variation of the total variation in profit is explained by investment. R^2 is found to be significant at 5 percent level of significance. The partial regression (β_1) is 1.179which is significant at 1 percent level of significance. It indicates that if investment is increased by Re 1, profit will increased by Re 1.18 paisa approximately.

The value of multiple determination (R^2) for sale is found to be 0.914 which indicates that about 91 percent variation of profit is explained by sale. R^2 is found to be significant at 1 percent level of significance. The partial regression co-efficient (β_2) is 0.151 which is significant at 1 percent level of significance. It

indicates that if sales is increased by Re.1, profit will be increased by 15 paisa approximately.

The above analysis suggest that the activities in informal sector in rural areas are viable units generating reasonable levels of employment and income to those persons engaged in these activities. It indicates that this sector is contributing significantly to the economic development of Nagaland.

SECTION – II

COMPARATIVE STUDY BETWEEN INFORMAL AND FORMAL SECTOR:

In this section an attempt has been made to make a comparative analysis with the units in the formal sector. The units registered with Khadi and Village Industries Board as well as with the department of Industries, Government of Nagaland have been taken into account.

The total number of units registered with Khadi and Village Industries Board are 7763 and those units registered with the State Directorate of Industries are 3000 as on 21st December, 1998. The categorisations into various sectors have not been made and all the units have been taken in consolidated form. As mentioned earlier, the relationship and growth between variables such as investment, sale and profit are considered to be important in determining the viability, growth and survival of any economic activity in the economy. Therefore, the relationship and impact of investment on profit and sale on profit have been examined for all the sectors with the help of statistical tools, so as to draw the inferences in relation to informal sector facilitating to make a critical analysis of

informal sector in the economic growth of Nagaland. As secondary data on these variables – investment , sale and profit are not available for the whole of urban and rural informal sector, the data relating to these variables on the 2000 sample units have been utilised for the purpose of analysis.

The data on these variables for all the sectors have been shown in *Appendix table no. I - IV*

A separate linear regression equation was fitted to these data for each sector. The equation drawn is in the following form:

$$Y = A_1 + \beta_1 X_1 + U_1 \text{ (Profit on investment)}$$

$$Y = A_2 + \beta_2 X_2 + U_2 \text{ (Profit on Sale)}$$

Where, Y = Profit per annum in Rs.

X_1 = Investment per annum in Rs.

X_2 = Sale per annum in Rs.

U_1 & U_2 are Random disturbance term.

A_1 and A_2 are constant, β_1 and β_2 are the partial regression co-efficient of investment and sale respectively.

The table below show the findings obtained from the regression analysis for all the sectors of the economy such as urban informal sector, rural informal sector, Khadi and Village Industries sector and Industries sector registered with Directorate of Industries, Government of Nagaland in terms of the linear effect of investment on profit.

Table 6.22

Comparative Study of Regression Analysis findings among Urban Informal Sector, Rural Informal Sector, Khadi and Village Industries and Industries registered with Directorate of Industries

(Investment on Profit)

SECTOR	REGRESSION CO-EFFICIENT	T VALUE	MULTIPLE Determination(R^2)	F RATIO	STANDARD ERROR
Urban Informal Sector	0.353	2.465	0.112	6.074	0.1433
Rural Informal Sector	1.179	7.255	0.814	52.629	0.1625
Khadi and Village Industries	0.181	12.075	0.896	145.799	0.0150
Industries	0.031	5.037	0.324	25.372	0.0062

An Analysis of the regression co-efficient column in the above table for investment on profit reveals that the rural informal sector has the highest value estimated as 1.18 which is significant at 1 percent level of significance. It indicates that if investment is increased by Re 1, profit will be increased by Re 1.18 paisa. It shows that the rural informal sector will yield the best returns on investment.

The value of multiple determination (R^2) for investment in rural informal sector is 0.81 which indicates that about 81 percent variation of the total variation in profit is explained by investment. R^2 is found to be significant at 1 percent level of significance.

The urban informal sector is found to be the second most profitable sector with regression co-efficient value estimated as 0.35 which is significant at 2 percent level of significance. It indicates that if investment is increased by Re 1, profit will be increased by 35 paisa.

The value of multiple determination (R^2) for investment in urban informal sector is 0.11 which indicates that about 11 percent variation of the total variation in profit is explained by investment. R^2 is found to be significant at 5 percent level of significance.

Khadi and Village Industries occupies the third position in terms of profitability considered in relation with investment. The partial regression co-efficient for investment in Khadi and Village Industries is estimated as 0.18 which is significant at 1 percent level of significance. It shows that if investment is increased by Re 1, profit will be increased by 18 paisa.

The value of multiple determination (R^2) for investment is estimated at 0.89 which indicates that about 89 percent variation of the total variation in profit is explained by investment. R^2 is found to be significant at 1 percent level of significance.

Industries (Small scale and medium) registered with state directorate of Industries is the least profitable sector considered in relation with investment. The partial regression co-efficient (β_1) for investment in Industries is estimated as 0.03 which is significant at 1 percent level of significance. It indicates that if investment is increased by Re 1, profit will be increased by 3 paisa.

The value of multiple determination (R^2) for investment is 0.32, which indicates that about 32 percent variation of the total variation in profit is explained by investment. R^2 is found to be significant at 1 percent level of significance.

Likewise, the table below show the findings obtained from the regression analysis for all the sectors of the economy in terms of the linear effect of Sale on Profit.

Table 6.23

Comparative Study of Regression Analysis findings among Urban Informal Sector, Rural Informal Sector, Khadi and Village Industries and Industries registered with Directorate of Industries (Sale on Profit)

SECTOR	REGRESSION CO-EFFICIENT	T VALUE	MULTIPLE Determination (R^2)	F RATIO	STANDARD ERROR
Urban Informal Sector	0.123	4.9675	0.339	24.669	0.0248
Rural Informal Sector	0.137	11.286	0.914	127.381	0.0122
Khadi and Village Industries	0.151	52.603	0.994	2767.066	0.0029
Industries	0.074	11.739	0.722	137.801	0.0063

An analysis of the regression co-efficient column in the above table for sale on profit reveals that Khadi and Village industries sector has the highest value estimated as 0.15 which is significant at 1 percent level of significance. It indicates that if investment is increased be Re 1, Profit will be increased by 15

paisa. It shows that Khadi and Village industries will yield the best return on sale.

The value of multiple determination (R^2) for sale in Khadi and Village industries is 0.99 which indicates that about 99 percent variation of the total variation in profit is explained by sale.

Rural informal sector activities is found to be the second most profitable sector with regression co-efficient value estimated as 0.13 which is significant at 1 percent level of significance. It indicates that if investment is increased by Re 1, profit will be increased by 13 paisa.

The value of multiple determination (R^2) for investment in rural informal sector is 0.914 which indicates that about 91percent variation of the total variation in profit is explained by sale.

The urban informal sector activity occupies the third position in terms of profitability considered in relation with sale. The partial regression co-efficient for sale in this sector is estimated as 0.123 which is significant at 1percent level of significance. It indicates that if sale is increased by Re 1, profit will be increased by 12 paisa.

The value of multiple determination (R^2) for sale in urban informal sector is 0.339 which indicates that about 33 percent variation of the total variation in profit is explained by investment. R^2 is found to be significant at 1 percent level of significance.

Industries sector is found to be the least profitable sector considered in relation with investment. The partial regression co-efficient (β_1) for sales in Industries is estimated as 0.074 which is significant at 1 percent level of significance. It indicates that if investment is increased by Re 1, profit will be increased by 7 paisa.

The above analysis reveals that the informal sector in Nagaland is comparatively better in terms of profitability studied in relation with investment. Similarly, profitability considered in relationship with sales in informal sector activities is better than Industries and more or less at par with Khadi and Village industries sector.

Thus, it can be concluded that the informal sector activities are generating reasonable levels of income to the persons engaged in these activities and hence significantly contributing to the economy of Nagaland.

In the concluding part of this chapter an attempt has been made to determine the position of informal sector in generating employment Vis-à-vis the formal sector as well as with the state Government Employees.

The following table has been presented to facilitate comparative analysis between informal sector and formal sector as well as with the state Government Employees.

TABLE 6.24
Sector wise No. of units and Employment Generated in the economy

Sl. No	SECTOR	No. of Units Enterprises	Employment Generated (in No.)	Percentage to Total Employment
1	Informal Sector	26,613	65,099	40.2
2	Formal Sector[1]	10,763	32,440	20.02
3	State Govt. Employees	51	64,450	39.8
Total[2]		**37,427**	**1,61,989**	**100**

Source : *1) Fourth Economic census 1998.*
2) State Directory of Industries 1998 and Khadi Village Industries Board 1998
3) Census of state Govt. Employees 1998

Note *(1) Formal sector comprises of Khadi and village Industries and Industries taken together.*
(2) Excluding those employed in Agricultural sector.

An analysis of the above table reveals that the informal sector is generating the highest employment (excluding Agricultural sector) in the economy, followed by the state Government and formal sector respectively. The percentage of people engaged in informal sector activities constitutes 40.2. Formal sector employment comprises only 20 percent, whereas state Government employees accounts for 39.8 percent of the total Employment generated in these sectors of the economy.

As the figures on income generated is not available for the informal sector as a whole a factual comparison could not be made. However, considering the reasonable amount of profit being generated in the sample units surveyed it can be determined that the informal sector is significantly contributing to the economic development of Nagaland.

CHAPTER VII

SUMMARY, CONCLUSIONS AND SUGGESTIONS

INTRODUCTION – TESTING OF HYPOTHESES – QUALITATIVE INTERPRETATION OF DATA COLLECTED – STATISTICAL ANALYSIS AND FINDINGS – SUGGESTIONS.

INTRODUCTION:

In the absence of large-scale industries and with less of private participation, the economy of Nagaland primarily depends upon informal sector activities to provide gainful employment opportunities to people of the state.

As mentioned, industries have not made any appreciable progress in Nagaland and is negligible because of various constraints like unrelenting and difficult topography, the perennial problem of insurgency combined with the lack of basic infrastructure, inaccessibility to adequate institutional finance and lack of political will and entrepreneurial spirit. Except for a few small-scale industries managed and controlled by private entrepreneurs, most of the public sector undertakings of the state are running on huge losses.

The problem of unemployment in this mountainous state has therefore not found a solution in industrialisation. In spite of all these, the government has given little, if any attention to this important sector of the economy i.e. the informal sector. Besides, the people of the state seem to be mostly ignorant of the vast potential of the informal sector in generating income and employment. Hence the present study has been undertaken to explore the vast potential for employment and income generation in the informal sector.

For the purpose of the study, the relevant data have been collected from both primary as well as secondary sources. The Primary data has been collected from 2000 informal sector units in the urban areas and 375 informal sector units in the rural areas. Relevant data from secondary sources such as Director of Industries, Khadi and Village Industries Board, Directorate of economics and Statistics, Directorate of employment and Craftsmen Training, Directorate of Census

Operations and various town Committees in Nagaland have been collected for the purpose of analysis.

The present chapter attempts to recapitulate the main findings of the study in its various parts to provide and integrated picture of the informal sector in Nagaland with a view to having certain analytical and policy conclusions on the role of informal sector in the economic development of Nagaland.

TESTING OF HYPOTHESES :

In this part of the chapter an attempt has been made to study about the testing of hypothesis. The hypothesis formulated at the beginning of the study were as follows:

1. Informal sector contributes significantly to the economy of Nagaland.
2. Extensive development of the informal sector would create substantial employment opportunities to the local unemployed.
3. The informal sector is pre-dominantly owned by people from outside the state.

The economy of Nagaland is substantially influenced by the activities of informal sector, which is evident from the findings and analysis made in earlier chapters. The basic features of informal sector of having low investment, high return with relatively higher degree of employment provides stimulus for the growth of economy of the state of Nagaland.

The sample analysis made by taking business units in both urban as well as rural informal sector and making a comparison with formal sector units clearly reveal

that informal sector units are more profitable, help to generate adequate income by providing employment opportunities to those having formal or less education. Low capital coupled with higher return and relatively lesser educational qualification would facilitate the economy of Nagaland as well as to eradicate poverty. Hence, the hypothesis "Informal sector contributes significantly to the economy of Nagaland" is proved to be true.

Informal sector offers substantial employment opportunities as is evident from the findings in earlier chapters. As per the report on fourth economic census of Nagaland 1998,conducted by the Directorate of Economic and statistics, Government of Nagaland, informal sector in Nagaland generates employment of about 65,099 persons, which is found to be the highest as compared with the formal sector as well as the state government employees.

Moreover, the employment generation potential in some segments of the informal sector such as construction, manufacturing and service segments is very much significant.

Further, in a state like Nagaland the emergence of the formal sector, as a major source of employment and income is also not foreseeable in the near future given the prevailing situation. Besides, additional job creation in the government sector is also not anticipated as this sector get downsized due to reform measures initiated at various levels.

Therefore, extensive development of informal sector is essential so as to create employment avenues for the local unemployed. Hence the hypothesis,

"extensive development of the informal sector would create substantial employment opportunities to the local unemployed" stands proved.

Lastly, the informal sector in Nagaland is found to be predominantly owned by people from outside the state. This is evident from the findings in earlier chapters. The composition of Naga and non-Naga entrepreneurs in the urban informal sector is found to be in the ratio of 27:73. Regarding rural informal sector, inspite of the fact that Naga entrepreneur are a little more than people from outside the state i.e. 54:46 ratio, it is pertinent to note that, considered in terms of the major concentration of informal sector activities in the urban areas, it can be determined that people from outside the state are dominant when considered in totality. Hence, the hypothesis " The informal sector is predominantly owned by people from outside the state" also stands proved.

ANALYSIS AND FINDINGS OF DATA COLLECTED:

The data collected for the present study have been analysed with qualitative interpretation as well as with statistical tools. The information collected have been depicted in tabular forms and the trend analysis has been done to draw the inferences.

Some of the findings on the basis of subjective interpretation in respect of urban and rural areas are stated below.

URBAN INFORMAL SECTOR:

Informal sector activities :

The predominance of informal sector activities in urban areas of Nagaland is conspicuous by the negligible presence of the formal sector activities. The informal sector activities in urban areas consist of five segments such as trade,

service, manufacturing, construction and transport segment. The trade segment has been categorised into 25 activities for the purpose of the present study of which the most predominant ones are grocery, hardware, stationary, cloth store, pan shop, vegetable vendors, butchers etc. Similarly, service segment has been categorised into 11 activities such as hotel, workshop, P.C.O, saloon, cobbler etc. Manufacturing segment classified into 9 activities comprising furniture, bakery, steel fabrication, blacksmithy, tailoring etc. Construction segment into 3 activities like masons (brick and cement), masons (Stone) and carpenters while the transport segment into 2 activities such as cart pullers and rickshaws.

The sample survey:

The sample survey of informal activities in urban areas consist of 2000 units engaged in trade, service, manufacturing, construction and transport activities. The units have been randomly chosen considering the concentration of activities in the urban areas. Thus, the sample survey of 2000 units comprises of 1050 in trade, 140 in service, 70 in manufacturing, 310 in construction and 430 in transport. Although agriculture sector possess all the informal characteristics, it has been excluded altogether because this sector is exclusively looked after by a separate government department.

Primary data on informal activities from the above sample units have been collected by administering a questionnaire, specifically designed for seeking the relevant information. The broad features of the 2000 sample units like the enterprises, the entrepreneur, employment generation, investment and structure of financing, sales turnover and profitability have been presented as follows:

Profile of enterprises in informal sector economic units:

The adherence of strict industrial norms is not required to establish units in informal sector. The entrepreneurs are mostly guided by the economic reasons to

earn income with less capital. That is the reason for which most of the units in Informal sector are found near inhabited areas or in urban centres so as to meet the needs of the people at large.

It is observed that enterprises located in the heart of the town and its surrounding are found to be more advantaged in terms of sales turnover and profit. Thus, most of the informal sector enterprises are concentrated in the vicinity of the main town. Almost all the economic units (74 percent) under the sample study are sole proprietorship concerns while family, joint family and partnership accounted for 11 percent, 8 percent and 7 percent respectively.

56 percent of the sample units are in fixed location and the remaining 44 percent have variable location engaged in trade, transport and construction. About 81 percent of the business premises are rented and only 8 percent are fully owned by the entrepreneurs. Most of the remaining are neither owned nor rented but in the form of paying a daily fee in market hat's or doing business on the roadside.

Enterprises relating to trade, manufacturing, service and transport sectors are mostly registered with town Committees. Street hawkers and local vegetable vendors do not require a registration and operate by paying a fee of about Rs.5 per day. Construction units are not registered with any agency as most of the units are operated by people from outside the state who require an inner line permit which needs to be renewed every month.

Two thirds of the total units surveyed are of recent origin that came into existence within the last 6 years or so. 12 percent are there for the last 7 to 10 years while nearly 9.1 percent were established 11 to 20 years ago and about 6.1

percent were in operation for the last 21 to 30 years. Majority of the sample units (75 percent) had to confront with some problems at the initial stage of establishment. Over two-third stated that raising initial capital was the most difficult problem. Only 8 percent referred to lack of premises as the most difficult obstacle in starting their units. Significantly, one quarter of all units reported that they had no major problems at the time of establishing their units.

In order to overcome their initial problems, majority of them (78 percent) established their units by availing loans from family members, friends and relatives or mobilised resources at their own initiative.

The political situation, huge amount of bad debts incurred and financial problems are presently considered the most important problems for growth and expansion of the units.

Profile of entrepreneurs:

A typical informal sector entrepreneur in the urban areas of Nagaland is a man in the lower middle age group, who has migrated from other states with moderate education and practically no formal training in his sphere of activity. 85 percent of all entrepreneurs are males, and female owners are noticed mostly in vegetable vendors and dealers in foreign readymade goods. Majority of the entrepreneurs comprising 79.6 percent were in the age group of 21 – 40 years, 6.6 percent were below 20 years of age and only around 14 percent were above 41 years. Majority of the entrepreneurs are migrants, comprising about 73 percent and entrepreneurs of local origin are only about 27 percent. 75.4 percent of the entrepreneurs were found to be below matriculate having only 8 years of school education. 22.5 percent of entrepreneurs were found to be illiterate and

21.5 percent have the basic knowledge of reading and writing. Only about 24.6 percent of the entrepreneurs surveyed have the formal education with academic qualification of matriculation and above. Thus it is evident that the informal sector absorbs persons with relatively little education.

About 38.9 percent of the entrepreneurs had work experience earlier and 18.9 percent had acquired their skills working as apprentices. Only about 1.8 percent had under gone some formal training. Thus, the study reveals that work experience acquired through apprenticeship or as paid salesman and helpers in the line of their related activity, played an important role in the development of skills for managing their present activity.

Employment generation:

A part from creating employment for himself the entrepreneur in the informal sector also generates employment for others. The total employment generated by 2000 units is estimated at 1825 persons (excluding the entrepreneurs). As self-employment is a major objective of the entrepreneur in setting up his enterprise, the total no of people who get their employment is 3825 persons. The average employment generated per unit is found to be 1.9 persons. Construction sub-sector is found to generate the most employment (3.2), followed by manufacturing (2.4), service (2.2), trade (1.8) and transport (1).

Socio economic characteristics of the workers:

The workers in informal sector are deprived of the facilities, which are mandatory under labour laws prevailing in our country. They are disadvantaged as compared to those in the formal sector in terms of employment conditions, earnings and consequently living conditions.

The labour force in the urban informal sector is predominantly male (90 percent) and very few females are engaged as paid or unpaid employee. Family members constitute 30 percent of the labour force.

67 percent of the labour force (excluding family members) were employed on a full time regular basis while the remaining worked on a part time daily basis. Most of the part time workers do not receive any regular wages and are mainly employed in construction, retail trade, and workshops. 63.7 percent of those in full time regular basis get a monthly salary of not more than Rs.750, while 36.3 percent get a monthly salary of above Rs.750.

80 percent of the work force are young belonging to the age group of 15 to 25 years. In terms of education the majority of the work force are not illiterate but having moderate education below 8 years of school education, and only about 32 percent are illiterate. Similar to entrepreneurs, majority of the labour force (83 percent) are people from outside the state.

Investment and resource mobilisation:

The 2000 sample units covered in the study had a total investment of Rs.834 lakhs. The average investment per unit is Rs.41, 745. The investment pattern however, varied from segment to segment and also between activities in the same segment as the study covered both big and very small units.

Majority of the 2000 sample units comprising of more than 73 percent have an investment of less than Rs.50, 000 out of which nearly 26 percent have investment below Rs.2500 and about 7 percent have investment varying between Rs.2501 to Rs.5000. About 22 percent of the units have the investment

amount varying between Rs.5001 to Rs 10,000 and nearly 7 percent between Rs.10, 001 to Rs.25,000 and 11 percent between Rs.25,001 to Rs.50,000. The remaining 26 percent have an investment of more than Rs.50, 000. Thus, it can be observed that a unit in the informal sector can be established with little amount of investment. The study revealed that more than 18 percent of the sample units had started their units solely by themselves or with the help of family members. Only about a meagre 3 percent of the units availed of loans from commercial banks, which shows that financing institutions are playing insignificant role in financial and development of informal sector activities.

Sales performance of 2000 sample units:

The annual sale of 2000 sample units is estimated at Rs.4, 033 lakhs. The average annual sale per units is Rs.2, 01,695 and an average monthly sale of about Rs.16, 808.

The annual sales is 483 percent of the total investment, in other words every Re1 invested in the informal sector yields annual sales turnover of Rs.4.83p. This brings out the low investment base of the economic activities. The majority of the units (about 53 percent) have an annual sales below Rs.1, 00,000, while 18 percent had sales below Rs.2, 00,000. About 11 percent had sales below Rs.3,00,000, about 9 percent below Rs.4, 00,000, about 4 percent below Rs.5,00,000 and nearly 5 percent above Rs.5, 00,000.

Profitability:

Profitability or rate of return on investment is 23.8 percent. The profitability rate varies considerably within the different informal sector activities ranging from 10 percent to as high as 50 percent. It was noticed that there is not much

uniformity in the rate of return or profitability rate on investment in informal sector. This is attributed to the fact that trade in informal sector is not guided by the basic principle of demand and supply of goods in the market but is primarily influenced by the extend of bargain made by the purchaser. The goods are usually quoted at a much higher price by the trader and ultimately sold at a price depending upon the customers bargaining ability. So the trade in informal sector does not follow the sound marketing practices.

The informal sector entrepreneurs re-invest a significant proportion of his profits into the business. This proportion varies from 10 percent to 20 percent. It indicates the financial efficiency of these units that needs to be appreciated.

RURAL INFORMAL SECTOR:

Informal sector activity:

The rural people of Nagaland is basically dependent on agriculture for their livelihood and so, agriculture is the most important activity among the rural population. However, in most cases, agricultural activity is carried out on a subsistence level. Therefore to supplement their meagre earnings from agriculture, rural people also engage themselves in informal activities like trade, service, manufacturing and construction activities. The concentration of these activities is mainly in the semi - urban areas and along the national highways. These activities are visible in the villages in limited numbers depending on the size and the location of villages. Trade segment consists of activities such as general shops, pharmacy, pan shops, vegetable vendor, butcher etc. Service segment comprises of activities such as hotel/tea stalls, workshop and saloon. Manufacturing segment comprises of activities such as Bakery, tailoring and

Photo studio. Construction segment consists of activities like masons (brick and cement), mason (stone) and carpenters. The transport segment is absent in the rural areas because of undeveloped road conditions.

The sample size:

The directorate of Census Operations have classified villages according to size of population such as very small villages (1 – 499 persons). Small villages (500 - 1999 persons), medium villages (2000 – 4999 persons) and big villages (5000 and more persons). Therefore, primary data relating to informal sector activities in the rural areas have been collected by taking a village as a sample unit.

32 villages each from Kohima and Dimapur district and 10 villages each from the remaining 6 districts (Mon, Tuesang, Zunheboto, Wokha, Mokokchung and Phek) having different population sizes as classified above have been surveyed. From the above sample villages primary data on 375 informal sector units engaged in trade, service, manufacturing, and construction activities have been collected by administering the same questionnaire used in urban areas seeking the relevant information.

In the following pages the broad features of the sample units like the enterprises, the entrepreneur, employment generation, investment and structure of financing, sales turnover and profitability have been presented.

Profile of enterprises:

Majority of the sample enterprises comprising 75 percent are in fixed locations and the remaining 25 percent in variable location engaged in trade and construction activities. 72 percent of the business premises are rented and only

28 percent are fully owned by the entrepreneur. 67 percent of those in fixed locations operated in residential structures and the rest 33 percent in commercial buildings and in open sheds.

In the semi-urban areas where adhoc town committees have been constituted, the informal sector units are mostly registered with this local bodies, where as in the villages majority of the units are not registered with any agency except for big general shops that are registered with the district administrative office.

Informal sector units in the semi-urban areas work between 8 to 10 hours whereas in a typical village the working hours show a different schedule. During the peak period in the daytime the units are closed and opened only early morning hours and late afternoon hours. The reason being lack of customers as most of the rural people are engaged in agricultural activities during the day.

With regard to age structure of enterprises, 36 percent of the sample units are of recent origin, i.e. came into existence within the last 5 years or so. 27 percent are there for the last 6 to 10 years, while a little over 25 percent were established 11 to 15 years ago and over 9 percent between 16 to 20 years.

As is the case in urban areas, the informal sector units in the rural areas too faced certain problems such as raising initial capital and inadequacy of transport and communication system. In order to overcome their initial problems, majority of the enterprises utilised their savings or obtained loans from friends and relatives to meet their initial capital requirement.

Finance, non-payment of debts, lack of proper communication facilities and prevailing political situation are some of the current problems faced by this units. Only about 7 percent mentioned lack of customers as the main problem.

Profile of entrepreneur:

Majority of the entrepreneurs in the rural areas comprising 82.6 percent were in the age group of 21 to 40 years, only about 15 percent were above 50 years of age. It indicates that the entrepreneurs engaged in Informal sector are within the middle aged group i.e. between 21 – 40 years, as is the case with urban areas. As regard to education nearly 20 percent of the sample entrepreneurs are illiterate, about 37 percent could read and write, and about 37 percent have 6 years of school education. Only about 6 percent were matriculate and above. Like the urban areas it also indicates that the informal sector absorbs persons with relatively little education.

About 36 percent of the sample entrepreneurs had acquired their skills working as apprentices and about 41 percent had work experience earlier in the line of their specialisation or related activity. Yet again like the urban areas it shows that the informal sector plays a key role in skill acquisition necessary to manage the informal sector units.

With the exception of a few units in trade and manufacturing segment operated under partnership basis, virtually all the units are one man concerns where the entrepreneur is working and managing all the operations by himself. In some cases it was noticed that the family members assist in the business related work. The entrepreneurial work in informal sector in most cases are male dominated, which is evident from the figure that about 79 percent of entrepreneurs are male

and 21 percent are females who are mainly engaged in selling of vegetables and operating pan shops and tea stalls. Unlike the urban areas, where entrepreneurs are mostly migrants, it is observed that in the rural areas both locals and non-locals equally participate as entrepreneurs.

Employment generation:

The informal sector in rural areas is mainly a source of self-employment, rather than paid employment. The total number of employment generated by 375 enterprises is 692 persons (including the entrepreneurs). The average employment generated per unit is 1.8 persons, which is found to be slightly lower than the urban areas. Family members (other than the entrepreneur) constitute 27.4 percent of the labour force. Again as in the urban areas, construction segment in the rural areas is found to be generating the most employment.

Socio-economic characteristics of the workers:

The labour force in the rural informal sector is predominantly male as in the case with urban informal sector. Female participation in the informal sector is noticed mostly as entrepreneurs and very less as workers.

About 64.9 percent of the labour force are young belonging to the age group 16 to 25 years while 21.5 percent belong to the age group 26 to 35 years. In terms of education 45 percent could read and write, nearly 22 percent have had some school education below matriculation and only about 29 percent are illiterate.

Considering the native origin among the labour force, it is observed that 65.6 percent of the labour force are people from outside the state. Coming to the

wage structure, unpaid family and apprenticeship workers constitute 33.8 percent of the total sample workers. About 28 percent of the sample workers get a monthly salary of not more than Rs.750, where as about 38 percent get a monthly wage of above Rs.750.

Investment and structure of financing:

The 375 sample units had a total investment of Rs.65.74 lakhs. The average investment per unit is Rs.17, 532. The invest pattern however showed variation from segment to segment as well as between individual units. It was as high as Rs.70, 000 in a Bakery units to as low as Rs.1400 in a saloon. About 90.4 percent of the sample units have an investment of less than Rs.50, 000. Further, units investing less than Rs.25, 001 constitutes 70.1 percent, 65 percent below Rs.10, 000, 57.3 percent below Rs.5001 and 38.1 percent investing below Rs.2, 500 only.

Thus, it indicates that an informal sector unit can easily be established in the rural areas with very little investment.

The study reveals that more than 77 percent of the units established their activities solely by themselves or by taking loan from family members, friends and relatives. Only about 5.1 percent availed of loans from financial institutions, which indicates that financial institutions are playing an insignificant role in the development of informal sector activities, like that of informal sector units in urban areas.

Sales performance of 375 informal activities:

The total amount of annual sales of 375 informal sector units is estimated at Rs.630 lakhs. The average annual sales per unit is Rs.1, 68,220, which comes to

an average monthly sales of aboutRs.14, 018. There is however considerable variation in the volume of sales at the unit level in the different sub-sectors because of differences in size of units sampled. The average annual sales per unit is less than Rs.41, 000 in construction segment, whereas, it is Rs.2, 47,782 in trade sector.

The frequency distribution of the 375 informal sector units in terms of their annual sales reveal that about 69 percent have annual sale turnover of less than Rs.1, 00,000. Out of which near about 40 percent had annual sales between Rs.25, 000 to Rs.50, 000 and 8.8 percent had annual sales below Rs.25, 000.

Profitability:

Profitability in the informal sector in rural areas measured in terms of sales is high and is estimated at 22.5 percent. The profitability rate however varies considerably among the different informal sector activities, ranging from 12 percent to 20 percent in activities like general shops, butcher and pan shops to as high as 25 percent to 40 percent in pharmacy, vegetable vendors, tea stalls and bakery.

The study reveals that majority of the units generate annual profits ranging between Rs.10, 001 to Rs.75, 000. Only 1.9 percent had profits between Rs.75,001 to Rs.1, 00,000.

STATISTICAL ANALYSIS:

In the 1Vth and Vth chapter of the present study the informal sector activities in the urban and rural areas of Nagaland have been identified and a data base on this important sector of the economy, about which little is known has been presented. Accordingly, an attempt has been made to critically review the

informal sector for economic development of Nagaland with the help of statistical analysis.

The variables such as investment, sale and profit are considered to be important factors in determining the viability, growth and survival of any economic unit in the economy. Therefore, the relationship and growth of investment on profit and sale on profit have been examined with the help of a linear regression equation.

A separate regression equation has been applied for every analysis.
The regression equation used in all the analysis is in the following form:

$Y= A_1 + \beta_I X_1+\beta_1$ (Profit on investment)

$Y= A_2 + \beta_2 X_2+U_2$ (Profit on sale)

Where Y= profit per annum in Rs.

X_1= Investment per annum in Rs.

X_2= Sale per annum in Rs.

U_1 and U_2 are random disturbance term, A_1 and A_2 are constants, β_I and β_2 are the partial regression co-efficient of investment and sale respectively.

Analysis of urban informal sector:

Firstly, the analysis of urban informal sector has been made separately for all the different segments of the informal sector after which an intra trade comparative analysis has been made.

A linear regression equation (as stated above) has been fitted to the variables like investment, sale and profit relating to data on informal sector in urban areas. The value of multiple determination (R^2) for investment and sales obtained from the analysis for all the segments indicates that the values are significant at 1 to 5 percent level of significance which indicates that significant percent variation of the total variation in profit is explained by investment and sales. The partial

regression co-efficient (β_2) figures obtained from the analysis for all the segments also shows that the values are significant at 1 to 5 percent level of significance. It indicates that an increase in investment and sale will lead to significant increase in profits.

Comparative analysis among the various segments like trade, service, manufacturing, construction and transport segments shows that construction and transport segments are the most profitable segments considered in terms of investment and sales (For example, if sales is increased by Re 1, Profit will be increased by 86 paisa approximately). This is followed by manufacturing, trade, and service segment respectively.

Secondly, since the trading sector activities constitute the major activity prevalent in the urban informal sector engaging the major work force and providing maximum employment opportunities, it is considered important to study the investment, sale and profitability behaviour of intra - unit activities in this sector.

Trade segment comprises about 25 activities. An analysis has been made, by classifying trade activities into four groups such as: Group A – Consumable goods, Group B – House wares, Group C– Human wares and Group D – Miscellaneous. Separate regression equations were fitted to the variables like investment, sale and profit relating to the data available on those different groups to examine the linear effect of investment on profit and sale on profit.

The regression analysis findings on intra trade activities in informal trade reveals that Group D (miscellaneous) activities like stationary, book stores and

motor parts units yields the best returns on investment (if investment is increased by Re. 1, Profit will be increased by 67 paisa approximately), followed by group A, B and C respectively. Likewise, a similar regression analysis on the different groups studying the linear effect of sale on profit shows that group C like shoe store, cloth store, readymade garments, cosmetics, etc., yield the best returns on sale (If sale is increased by Re. 1, profit will be increased by 19 paisa approximately), followed by group B, D and A respectively.

The above linear regression analysis findings on informal trade activities in urban areas show that all the units surveyed under the present study are viable economic activities yielding significant returns on investment and sales.

Analysis of rural informal sector in Nagaland:

With the exception of the semi-urban areas where varieties of informal activities are present, in the villages, it is observed that only a limited number of informal activities are operating. Therefore, the informal sector activities have not been segregated into segments and analysed in a consolidated form, taking together all the four segments.

The statistical analysis of the data relating to units in rural informal sector have also been made with the help of a linear regression equation taking into consideration the variables like investment, sales and profit. The linear effect of investment on profit and sale on profit has been evaluated by applying separate regression equation for each analysis. The regression analysis findings on rural informal sector shows that the value of multiple determination (R^2) for investment and sales are significant at 1 to 5 percent level of significance which

indicates that significant percent of variation in profit is explained by investment and sales. Similarly, the partial regression co-efficient ($\beta_1$and β_2) figures also shows that the value are significant at 1 percent level of significance which indicates that an increase in investment and sales will lead to a significant increase in profits. For example, if investment is increased by Re. 1, profit will be increased by Re. 1.18 paisa approximately. Likewise, if sale is increased by Re.1, Profit will be increased by 15 paisa approximately.

From the above it is evident that the informal sector activities in rural areas are also viable and efficient units generating reasonable levels of income and contributing significantly to the economic development of Nagaland.

Comparative analysis between informal and formal sector:

After analysing the trend of profitability for all the economic units in the informal sector in urban and rural areas a comparative study of the informal sector vis-à-vis the formal sector is attempted. The units registered with Khadi and village Industries Board as well as the department of Industries Government of Nagaland have been taken into account, which constitute the formal sector. The categorisations into various segments have not been made and all the units have been taken in consolidated form. The relationship and impact of investment on profit and sale on profit have been analysed for all the sectors with the help of a linear regression equation, so as to draw the inferences in relation to informal sector facilitating to make a critical analysis of informal sector in the economic growth of Nagaland.

A separate linear regression equation was fitted to the data representing each sector of the economy among the variables like investment, sale and profit.

The regression analysis findings on all the sectors of the economy relating to the linear effect of investment on profit reveals that the regression co-efficient figure for the rural informal sector has the highest value, followed by the urban informal sector, khadi and village industries sector and industries sector respectively.

It indicates that the rural informal sector will yield the best returns on investment followed by the other sectors respectively as per the above given sequence.

Likewise, the regression analysis findings on all the sectors of the economy, relating to the linear effect of sales on profit reveals that the regression co-efficient figure for khadi and village industries sector has the highest value, followed by the rural informal sector, urban informal sector and industries sector respectively.

The above analysis reveals that the informal sector in Nagaland is comparatively better than formal sector in terms of returns on investment made. Similarly, profitability considered in relationship with sales in informal sector activities is better than industrial units registered with Directorate of Industries Government of Nagaland and more or less at par with khadi and village industries sector.

An analysis of the number of employment generated by the different sectors of the economy also reveals that the informal sector is generating the highest

employment (excluding agriculture) in the economy, followed by the state Government and formal sector respectively.

Thus, it is evident from the findings that the informal sector is playing a dominant role in the economic development of Nagaland in terms of income and employment generation.

SUGGESTION:

The present study has provided evidence in terms of several parameters that indicates that the informal sector is a major growth point in the economy and contributes, to a significant extent, in providing solutions to the basic human problem of unemployment. This is particularly more significant in a situation where the formal sector has not made any appreciable progress and the emergence of the formal sector as a major source of employment and income is also not foreseeable in the near future given the prevailing situation. Besides employment and income opportunities offering well paid jobs from the government sector is also not forthcoming as this sector gets downsized due to reform measures initiated at various levels.

In this context, an important policy decision should be made by acknowledging the existence of informal sector and of its dynamic role in the development process. A development strategy should then be considered on how best to exploit the talent and expertise of this energetic, enterprising and resourceful sector to contribute more effectively and in a relatively more organised manner to the economic development of Nagaland. The following suggestions have been

put forward for the development of the informal sector both in urban and rural areas which will in turn lead to the development of the economy of the state.

1. The role and importance of the informal sector for economic growth of the state should be acknowledged and duly recognised as a major growth point in the economy.

2. The government should issue policy guidelines to rural banks, co-operative banks and other state government financial agencies, so as to provide finance in liberal terms and conditions to the people engaged in informal sector. Given the successful experiments being made in innovative banking policy to reach the rural poor in a number of Asian countries (like the Grameen bank in Bangladesh and Baden Kredit Kecamatan of Indonesia) there exist a vast potential for providing access to institutional finance to petty producers.

3. Short training programmes suited to informal sector units should be offered to the people engaged in informal sector activities. The programme package should provide technical know how, procedural matters to obtain financial assistance, basic knowledge in finance and maintenance of books of Accounts etc.

4. The government should formulate some schemes (area specific) so as to encourage entrepreneurs in informal sector units, both in urban and rural areas.

5. The rural development plans and programmes of the central government should be implemented affectively so as to encourage the participation of entrepreneurs in informal sector activities.

6. The Department of Employment and craftsmen training should be entrusted with the task of educating, providing adequate information about the potentials of informal sector, in choosing business career and gainful employment to the unemployed youths.

7. The government should encourage growth centres at each block level so as to encourage the activities in informal sector to provide gainful employment opportunities to local unemployed youths.

8. Trading regulations restricting trade by Non–Tribals should be passed (as is the case in Meghalaya and Mizoram states) and the local unemployed youths should be encouraged to participate in informal sector trade by introducing innovative schemes for them.

9. Wherever possible, voluntary agencies like Non-governmental organisations (NGO's) should be encouraged to mobilise informal sector units into bigger groups so that lending and follow-up becomes easier.

10. Innovative schemes like group trading and group entrepreneurship should be developed, especially to encourage women participation in informal sector activities. There have been several such success stories like Lijjat papad, women India Trust (WIT), etc, in this area.

11. The informal sector human settlements have a good potential to generate savings and so, a programme should be developed to mobilise the savings from this sector.

AREA FOR FUTURE RESEARCH:

On the basis of present study, it is felt that the future research study should be undertaken on the following specific areas:

(a) Specific Governmental role on development of informal sector in Nagaland.

(b) Role of financial institutions for the growth of informal sector in Nagaland.

In conclusion it can be stated that all agencies, authorities and institutions must be made aware that helping informal sector units is the surest way to ensure economic growth with distributive justice, which is the prime goal of all developmental plans in the country.

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APPENDICES

APPENDIX- I

INFORMAL SECTOR IN THE URBAN AREAS OF NAGALAND

(Segment wise- Activities, Numbers of Units surveyed, Composition of entrepreneurs, Pattern of Employment, Investment, Sale and Profit figures)

Sl No	Trade segment activities	Units (1050)	Entrepreneurs			Employment			Investment Total (in Rs)	Sale per annum Total (in Rs)	Profit per annum Total (in Rs)
			Naga	Non-Naga	Total	Naga	Non-Naga	Total			
1	Grocery	70	17	53	70	23	148	171	48,16,210	2,83,13,040	33,96,960
2	Shoes	40	3	37	40	6	80	86	36,11,400	85,20,000	21,78,240
3	Textile	40	-	40	40	-	101	101	55,12,720	1,34,85,600	20,22,880
4	Hardware	30	9	21	30	7	83	90	42,80,760	1,47,15,690	22,07,160
5	Utensil	30	-	30	30	-	63	68	39,24,990	1,10,76,000	22,36,680
6	Stationery	30	4	26	30	6	76	82	43,20,200	2,40,46,260	28,85,520
7	Book stall	20	16	4	20	22	16	38	35,16,660	1,09,30,550	21,85,920
8	Readymade goods	60	37	23	60	39	39	78	70,16,220	1,64,07,640	36,09,360
9	Variety stores	60	20	40	60	32	136	168	68,28,370	3,28,32,130	49,24,810
10	Electrical	20	5	15	20	10	40	50	48,00,070	1,19,70,380	23,94,180
11	Motor parts	40	12	28	40	27	78	105	56,45,660	1,16,94,070	35,08,320
12	Cosmetics	10	2	8	10	3	17	20	17,19,320	33,12,110	4,96,800
13	Wool store	12	3	9	12	3	24	27	14,05,710	27,93,600	6,98,440
14	Sports goods	5	1	4	5	5	7	12	5,82,130	11,43,020	2,51,450
15	Furnishings	5	2	3	5	2	11	13	12,35,400	13,12,000	3,27,960
16	Glass house	10	-	10	10	-	25	25	12,23,100	39,00,370	9,36,010
17	Fire wood	8	8	-	8	12	31	43	4,60,000	30,81,600	4,62,240

18	Electronics	5	1	4	5	2	8	10	3,50,200	19,57,800	3,10,080
19	Pharmacy	30	23	7	30	32	52	84	33,81,150	1,26,72,000	31,68,000
20	Pan shops	300	66	234	300	90	268	358	20,56,200	3,60,48,600	90,14,450
21	Green vegetables	160	74	86	160	76	96	172	8,85,280	2,14,18,720	53,54,880
22	Fruits	20	-	20	20	-	28	28	1,10,800	49,92,850	9,98,400
23	Eggs	15	-	15	15	-	20	20	1,80,460	46,80,250	8,42,450
24	Fish	10	2	8	10	2	12	14	2,50,000	60,20,100	5,70,500
25	Butcher	20	20	-	20	57	6	63	7,80,800	4,36,80,000	10,80,800
	TOTAL (Trade segment)	1050	325	725	1050	456	1470	1926	6,88,93,810	33,10,04,380	5,60,61,690
	Service segment activities										
26	Photostats	15	15	-	15	22	-	22	31,50,000	35,10,000	14,04,000
27	Hotels	15	9	6	15	16	44	60	26,42,250	65,00,055	16,25,040
28	Hostels	10	10	-	10	10	20	30	6,00,000	36,00,000	11,04,000
29	Workshops	15	5	10	15	13	38	51	8,10,000	23,04,000	13,89,600
30	P.C.O	15	9	6	15	9	6	15	9,90,850	16,68,000	4,16,880
31	TV/Radio / Watch repair	12	5	7	12	6	18	24	3,49,092	16,18,032	6,47,136
32	Tea stall	15	-	15	15	-	40	40	31,995	23,40,000	7,02,000
33	Video cassette library	7	7	-	7	7	-	7	3,15,000	13,10,400	3,93,120
34	Battery repairing	8	1	7	8	1	18	19	56,000	4,19,328	3,14,496
35	Saloon	14	-	14	14	-	28	28	79,996	6,76,788	4,06,056
36	Cobbler	14	1	13	14	1	13	14	45,402	3,28,594	2,62,920
	TOTAL (service segment)	140	62	78	140	85	225	310	90,69,735	2,42,75,197	86,65,248

	Manufacturing segment activities										
37	Furniture	11	2	9	11	5	23	28	4,40,000	33,00,000	6,60,000
38	Bakery	8	4	4	8	6	32	38	11,14,904	48,52,360	10,18,944
39	Steel fabrication	8	3	5	8	5	21	26	4,00,000	28,80,000	6,33,600
40	Photo studio	8	3	5	8	6	10	16	9,32,000	18,33,600	4,95,072
41	Tailoring	15	-	15	15	-	25	25	1,24,995	12,24,000	9,30,240
42	Trunk making	4	-	4	4	-	10	10	52,000	4,32,000	1,51,200
43	Hood maker	5	-	5	5	-	5	5	25,000	4,80,000	2,54,400
44	Blacksmith	6	1	5	6	1	10	11	18,000	3,09,600	2,22,912
45	Bamboo works	5	-	5	5	-	18	18	1,68,000	5,40,000	1,89,000
	TOTAL manufacturing segment)	70	13	57	70	23	154	177	32,74,899	1,58,51,560	45,55,368
	Construction segment activities										
46	Masons (brick and cement)	120	-	120	120	-	600	600	60,000	82,36,800	74,88,000
47	Masons (stones)	140	140		140	280	-	280	14,000	87,36,000	67,20,000
48	Carpenters (house construction)	50	2	48	50	5	100	105	60,000	30,00,000	21,60,000
	TOTAL (construction segment)	310	142	168	310	285	700	985	1,34,000	1,99,72,800	1,63,68,000
	Transport segment activities										
49	Rickshaws	280	-	280	280	-	280	280	14,70,000	78,62,400	65,52,000
50	Cart pullers	150	-	150	150	-	150	150	1,98,000	44,46,000	37,44,000
	TOTAL (transport segment)	430		430	430		430	430	16,68,000	1,23,08,400	1,02,96,000
	Grand total	**2,000**	**542**	**1,458**	**2,000**	**849**	**2979**	**3828**	**83041294**	**40,34,12,337**	**9,59,46,306**

Source: *Field Survey*

APPENDIX – II

INFORMAL SECTOR IN THE RURAL AREAS OF NAGALAND

(Sector wise – Activities, numbers of units surveyed, composition of entrepreneurs, pattern of Employment, Investment, Sale and Profit figures)

ACTIVITIES	UNITS (375)	ENTREPRENEURS			EMPLOYMENT			INVESTMENT	TOTAL SALES PER ANNUM (in Rs.)	TOTAL PROFIT PER ANNUM (in Rs)
		NAGA	NON-NAGA	TOTAL	NAGA	NON-NAGA	TOTAL			
I. TRADE SEGMENT										
1. GENERAL SHOPS	80	40	40	80	58	97	155	3,38,40,000	3,54,43,200	53,16,480
2.PHARMACIES	15	12	3	15	18	4	22	10,45,005	30,04,560	7,51,140
3.PAN SHOPS	80	50	30	80	63	33	96	1,87,360	62,40,000	12,48,000
4.VEGETABLE VENDORS	30	20	10	30	20	13	33	84,000	26,20,800	7,86,240
5.BUTCHER	15	15	0	15	33	--	33	3,60,000	72,03,600	8,64,000
TOTAL	220	137	83	220	192	147	339	55,16,365	5,45,12,160	89,65,860
II. SERVICE SEGMENT										
6. HOTELS / TEA STALLS	30	10	20	30	13	49	62	76,500	28,08,000	7,02,000
7.WORKSHOPS	10	6	4	10	10	11	21	3,04,000	4,22,400	3,16,800
8.SALOON	10	--	10	10	--	16	16	14,000	1,56,000	1,32,000
TOTAL	50	16	34	50	23	76	99	3,94,500	33,86,400	11,50,800

Contd. – **INFORMAL SECTOR IN THE RURAL AREAS OF NAGALAND.**

II. MANUFA-CTURING SEGMENT										
9. Tailors	5	--	5	5	--	5	5	27,000	1,24,800	1,14,000
10. Bakery	5	3	2	5	5	16	21	3,50,000	9,67,200	3,38,520
11. Photo Studio	5	2	3	5	2	6	8	2,10,000	4,05,600	1,62,240
TOTAL	15	5	10	15	7	27	34	5,87,000	14,97,600	6,14,760
V.CONSTR-UCTION SEGMENT										
12.Masons (Bricks & Cement)	30	5	25	30	10	87	97	15,000	11,66,400	10,94,400
13.Masons (Stones)	20	20	0	20	40	0	40	14,000	7,92,000	7,44,000
14.Carpenters	40	20	20	40	40	43	83	48,000	17,28,000	16,32,000
TOTAL	90	45	45	90	90	130	220	77,000	36,86,400	34,70,400
GRAND TOTAL	**375**	**203**	**172**	**375**	**312**	**380**	**692**	**65,74,865**	**6,30,82,560**	**1,42,01,820**

Source : *Field Survey*

APPENDIX – III

FORMAL SECTOR – I
KHADI AND VILLAGE INDUSTRIES:
(Registered with Nagaland Khadi and Village Industries Board).

Sl No	INDUSTRIES	NO OF UNITS	EMPLOYMENT	INVESTMENT (Rs IN LAKHS)	TOTAL SALE P.A (Rs IN LAKHS)	*TOTAL PROFIT P.A(Rs IN LAKHS)
1	Lime Industry	218	722	47.96	122.90	14.75
2	Village Pottery	120	614	21.60	106.20	15.93
3	Cane & Bamboo	1168	2631	164.09	218.80	28.45
4	Carp & Black	3814	8100	474.90	558.70	83.80
5	Neo – Soap	11	46	2.31	26.92	3.77
6	Village Oil	32	126	5.76	29.80	4.47
7	Service	191	497	28.65	77.10	12.34
8	Electronics	38	73	6.84	18.00	3.06
9	Bee – Keeping	153	460	18.36	20.44	4.09
10	Gur and Khandsari	114	305	29.64	112.00	16.80
11	Fruits & Vegetables	156	514	38.40	50.77	7.62
12	Candles	3	12	1.50	3.80	0.50
13	Textiles	379	922	94.75	152.00	24.32
14	Cottage Match	1	9	0.40	2.04	0.31
15	Leather	173	336	48.44	79.70	11.16
16	Fibre	54	108	9.72	15.35	2.31
17	Handmade Paper	23	76	2.30	34.94	5.59
18	Forest Plant	20	65	5	12.40	2.11
19	PCPI	1051	2547	168.17	366.82	58.70
	TOTAL	**7763**	**18163**	**1168.79**	**2007.68**	**300.08**

***Source**: Nagaland Khadi and Village Industries Board.*

** Profit figures have been computed on the basis of information gathered from officials of the NKVIB through personal interviews.*

APPENDIX – IV

FORMAL SECTOR – II
MEDIUM AND SMALL SCALE INDUSTRIES
(Registered with Directorate of Industries Govt. of Nagaland)

S/ no	INDUSTRIES	NO OF UNITS	EMPLOYMENT	INVESTMENT (Rs IN LAKHS)	TOTAL SALES P.A(Rs IN LAKHS)	*TOTAL PROFIT P.A (Rs IN LAKHS)
1	Printing press	38	272	83.32	241.48	38.63
2	Hotel	44	368	786.15	584.67	99.40
3	Steel fabrication	90	518	101.41	248.84	37.32
4	Flour Mill	3	53	5.69	201.09	30.16
5	Ice-cream factory	5	28	14.29	24.05	4.33
6	Saw Veneer & Plywood	106	2129	1075.47	2945.19	441.78
7	Motor Workshop	121	537	69.63	380.26	68.45
8	Mineral water	2	92	130.40	180.00	28.80
9	Furniture	282	819	110.97	282.4	42.36
10	Photo copier	16	38	19.80	70.86	13.46
11	Candle units	30	194	20.46	129.26	14.21
12	Chemical units	2	11	5.68	8.52	1.19
13	Pharmacy	1	6	5.88	7.41	1.11
14	Tyre Rethreading	25	115	44.11	130.89	20.94
15	Transformer	1	16	18.62	24.45	4.15
16	Bulb & Tubes	1	31	18.76	48.00	6.24
17	Alluminium & Allied industries	4	146	100.07	145.21	21.78
18	Readymade garments	38	226	46.78	102.09	17.35
19	Wire Nail unit	1	15	0.03	0.05	0.01
20	Rice/Oil Mill	590	1170	144.69	219.08	43.82
21	Tiles Precious stones	2	37	20	70.00	10.50
22	Sound Recording	1	4	8	8.00	1.36
23	Cement Craft	4	54	24.42	34.35	5.15
24	Bakery unit	60	329	47.66	412.06	65.93
25	Stone Crusher	55	409	109.51	332.67	53.22
26	Handicraft	207	770	21.01	101.76	21.37
27	Blacksmithy	237	559	26.39	103.06	16.48
28	Bricks factory	8	139	29.61	59.81	7.18
29	Trunk manufacture	4	27	12.9	19.9	2.98

30	Electronic servicing	13	32	3.78	11.24	1.91
31	Dry cleaning	3	8	3.50	6.99	1.04
32	Soap industry	3	23	7.01	17.83	2.31
33	Weaving & knitting	892	2445	290.67	619.76	99.16
34	Shoe manufacturing	8	35	12.87	27.43	4.11
35	State Govt. promoted units	9	2336	9486	5264.67	263.23
36	Studio units	6	19	26.85	3.85	0.77
37	Beauty parlour	5	12	1.25	5.33	0.79
38	Watch repairing	2	4	0.12	0.50	0.08
39	Gur making	35	83	3.62	6.38	0.96
40	Welding/painting unit	4	11	0.40	2.16	0.32
41	Mulberry rearing	1	2	0.05	0.20	0.03
42	X Ray clinic/Nursing homes	1	3	0.85	2.30	0.41
43	Citronella	8	40	6.34	12.63	1.64
44	Radio/T.V repairing	5	18	0.73	3.2	0.51
45	Battery reconditioning	2	5	1.2	1.08	0.16
46	Mushroom products	1	2	0.05	0.20	0.01
47	Fruit processing unit	5	17	1.88	4.4	0.57
48	Food processing	1	5	0.15	2	0.28
49	Flower nursery	1	5	0.20	2.50	0.40
50	Tailoring	4	24	3.88	6.08	1.03
51	Poultry farm	1	5	3.80	5.92	0.88
52	Type writer repairing	1	3	0.75	0.45	0.07
53	Rubber stamp	1	4	0.60	1.40	0.20
54	Hollow block	1	6	0.80	1.25	0.18
55	Bee keeping	9	18	1.62	2.65	0.48
	TOTAL	**300**	**14,2777**	**12860.68**	**13127.81**	**1501.19**

Source: *Directorate of Industries and Commerce, Government of Nagaland.*

** Profit figures have been computed on the basis of information gathered from officials of the department of Industries, Nagaland through personal interviews.*

APPENDIX – V

QUESTIONARE

A. PERSONAL DATA

1. Name of the enterprise :.....
2. Name of the owner/proprietor :.....
3. Age :.....
4. Marital status :.....
5. Year of establishment :.....
6. Place/Location: (a) District :.....
   (b) Town/Village :.....
   (C) Locality :.....
7. Educational qualification. (Pl. tick mark):
   Illiterate / Read and write / Below matric / Matric / P.U / Graduate / Diploma /Post graduate / Technical.
8. Religion :.....
9. Native place: (a) Village.....(b) District.....
   (c) State .....
10. If migrated: (a) Year of migration :.....
    (b) Pre-Migration occupation :.....
    (c) Pre-Migration income per month :.....
    (d) Reasons for migration :.....
11. Family status (Pl. tick mark): *Independent / Joint family.*
12. Income per month: (a) From the enterprise.....
    (b) From all sources .....
13. Residential house (Pl. tick mark):
    (a) Own house (b) Rented house (c) Govt. house

14. Proximity / Nearness of residential house to the place of business activity

(Pl. tick mark): (a) Same cluster area (b) Upto 1 Km

(c) Upto 2 Km (d) Beyond 2 Km

15. Economic status of the family:

Relationship	No	Earner	Non-earner	Non-earner dependent	Amount of earning per month (in Rs)
Father					
Mother					
Husband/wife					
Brother					
Sister					
Children					
Total No.					

Additional information if any : (a) .....

(b) .....

16. Training or experience acquired in managing the present activity

17. Different types of taxes paid / payable

B. ACTIVITY ANALYSIS.

1. Kind of activity (Pl. tick mark): Wholesale / Retail / Hawker / Repairing / Manufacturing / Construction / Transportation service

2. Form of ownership (Pl. tick mark): (a) Sole proprietorship (b) Partnership

(c) Co-operative (d) Others

3. Commodities / Service dealt in.....

4. Who supervises the business / activity (Pl. tick mark):

(a) Owner (b) Family members (c) Hired manager

5. Nature of activity (Pl. tick mark): (a) Regular (b) Seasonal

6. Whether registered with any office or agency: *Yes / No*

Name of the office or agency……..

7. Type of accommodation used to run the business / activity (Pl. tick mark):

(a) Own house (b) Rented house (c) Footpath (d) Govt. land

(e) Roadside (f) Public place (g) Mobile

8. Any other business / activity owned (Subsidiary outlets) besides the present one: *Yes /No*

If yes, how many……

9. Size of the unit (Sq.ft)……..

10. What was your earlier occupation? (Pl. tick mark):

(a) Business (b) Govt. service (c) Farming (d) Other profession

11.Reasons for the change in occupation / activity (Pl. tick mark):

(a) To expand the business activity (b) Expectation of higher profit

(c) To avail of better credit facilities (d) Others……...

12. Are you planning to change your activity (Pl. tick mark): *Yes / No*

13. Infrastructural Facilities available (Pl. tick mark):

(a) Power (b) Water (c) Telephone

14. Quality of service (Pl. tick mark) : (a) Customer oriented (b) Telephone

(c) consideration of both the above factors.

15. Prospect of your activity in future……

17. Future planning……

C. EMPLOYMENT.

1. Number of employees and wages paid :

	Family members		Non – family members	
	Number	Wages/Salary	Number	Wages/Salary
(a) Male	.....	.....	.....	.....
(b) Female	.....	.....	.....	.....
(c) Children	.....	.....	.....	.....

2. Total number of employees Family members ..... Non – family members .....

3. Educational qualification of the employees :

	Male	Female	Children	Total
(a) Illiterate	.....	.....	.....	.....
(b) Read and write	.....	.....	.....	.....
(c) Below matric	.....	.....	.....	.....
(d) Matric and above	.....	.....	.....	.....
(e) Formal training	.....	.....	.....	.....
(f) Apprenticeship	.....	.....	.....	.....

4. Labour migrants status : (a) Local (in number) .....
   (b) Non-local (in number).....

5. Working hour in a day.....
   Monthly duration of activities in days .....

D. MARKET.

1. Purchase of raw materials / commodities :

Place of purchase /availability	Local	Outside	Open market	Govt. quota
Name of commodities				

2. Sale of products and commodities :

Place of purchase / availability	Local	Outside	Open market	Govt. quota
Name of commodities				

3. Problems if any in respect of marketing (Pl. tick mark) :

(a) Demand (b) Supply (c) Transportation cost

(d) No. Govt. agency for marketing (e)High price of commodities

(f) Others.....

E. FINANCE.

1. Investment :

	Year	Self	Friends / Relatives	Financial institutio	Money lenders	Total
Initial						
Present						

2. Average stock of Inventory :

3. Profits : (a) Monthly .....

(b) Annually.....

4. Disposition of profits (Pl. tick mark) :

(a) Reinvested in the business

(b) Deposited into bank

(b) Other means (Please specify).....

5. Whether any bank or financial agency has been approached for assistance (Pl. tick mark) : *Yes / No*

   If Yes, (a) amount of loan taken .....

   (b) Nature of investment.....

   (c) Are installments being paid regularly?..... .....

   (d) If No to (c) state reasons.....

   If No, state reasons.....

6. Main problems getting financial assistance.....
7. Value of assets owned presently.....
8. Turnover / sales : (a) Monthly ..... (b) Annually.....
9. Required amount to develop your activity (in Rs.).....
10. State the annual income and expenditure of your firm.....
11. Whether proper accounts being maintained : Yes / No
12. Factors considered in pricing commodities (Pl. tick mark) : Profit / Transport / Durability / Demand/ Supply / Distance / Popularity / Scarcity.

F. PROBLEMS FACED BY THE ENTERPRISE / ACTIVITY.

1. Hurdles confronted in establishing the enterprise / activity.....
2. Present problems (Pl. tick mark) : (a) Accommodation (b)Finance (c) Labour (d)Transportation (e)Buying (f) Selling (g) Power (h) Raw materials (i) Law and order (j) Other (specify).....
3. Bad debts (If any) .....

   Additional notes (if any) .....

Respondent.
Name:.....
Signature.....
Date : .....