

Q.7) Despite several measures to formalize Indian economy still large % of work is employed in informal sector in India. In this regard examine the associated issues and suggest measures for the formalisation of the economy (250w)

As per ILO's report, only 9.7% of Indian population works in formal sector (as per India's definition of formalisation) which leaves more than 90% workers in the informal sector.

Reasons for large informal sector in India:-

(I.) Excessive regulation (license quota raj pre 1991.)

(II.) Excessive taxes.

(III.) Political and economic reasons.

Problems with informal sector.

- (.) low productivity.
 - (.) No social security benefited EPF.
 - (.) Most vulnerable since no rules.
- So they are easy to hire and fire.

- (.) Disguised employment. It is found a lot in agriculture sector.
- (.) Underemployment. (.) lack of data
- (.) lower productivity has domino effect in other sectors as well.

Way out :-Government interventions :-

- (.) Demonetisation of currency
- (.) Reforms such as goods and services tax.

Registration on various portals

Such as E shram portal of labour ministry etc

- (.) various efforts to digitise their day to day affairs :- eg:- DBT using YAM trinity, e-NAM, PMSVANIDHI.

UPSC

Question No.

प्रश्न संख्या

के लिए

scheme, loan ~~scheme~~ / insurance
schemes such as PM KISAN, PM
fasal bina Ujjana.

(o) Contribution from Government
side in schemes such as ESIC,
EPFO. ~~is~~ Already done by Govt.
during pandemic period.

(o) Shifting of small/marginal
farmers to manufacturing sector.

A person working in
informal sector is less aware and
more prone to be harassed.
Therefore it becomes Government's
duty to bring them into the
fold of formal economy. The same
has been done in all the major
developed countries (eg. Asian Tiger)

(Q.7) Discuss the major constraints in achieving India's desired level of economic growth and creation of quantity and quality jobs in present scenario. Suggest measures to achieve this objective (250 w)

India, a country of 3 billion dollar economy, aspires to be of 5 trillion dollar by 2024-25.

Other objective of our nation include doubling farmers' income by 2022, raising share of manufacture sector ^{in GDP} by 45% and creation of billion jobs in various sectors.

For this we have to have sustained economic growth and quality jobs/workforce.

There are some lacunae in this regard:-

- (I.) 85% of informal workers in the economy.
- (II.) less skillful workforce (~5%)
- (III.) Disguised and underemployment
- (IV.) employment rate at all time high
- (V.) Problems faced by MSME sectors wrt loans and gig economy
- (VI.) Growth rate: nowhere near to pre pandemic level.
- (VII.) Stagnant manufacturing sector.

Way out :-

- ① Reforms in Banking sector :-
↓ of MPA's. More loans to MSME's
in soft rates or no collateral.
Support to SHG's post pandemic.
- ② More investment in capital creation :- last years budget focussed on that. Eg:- National Monetisation pipeline (6lac cr) \$

Nation infrastructure pipeline (102) are good interventions in this regard.

(3.) Export orientation and with special focus on labour intensive sectors' products.

(4.) Joining the global value chains with countries less reliance on China. ~~to~~ and other arenas such as RCEP etc.

(5.) Reforming Agriculture sector. Shifting of marginal / small farmers to mfg. sector.

(6.) More incentives to mfg. sector since it offers jobs to large amount of people at once and operates in tier-2/3 cities. which increases regional equity as well.

A country which has very good chance to reap its demographic dividend must do so by doing suggested measures on a priority basis.