

# Status of Micro-Entrepreneurs in Twin Cities of Hyderabad

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## 1. Introduction

Street vending is as old as the business is. It has been playing a significant role since the inception of the business. It forms part of the informal economy. A large number of people have depended on this business for their livelihood. Street vending, by nature, is accessible to customers a few steps away from their houses. The customers get their daily requirements to their doorstep at an affordable price. It was believed that the informal economy in developing countries would disappear once they achieved sufficient economic growth. The informal economy can no longer be considered a temporary phenomenon. It has been observed that the informal economy continues to grow as long as increased employment levels and income do not accompany economic growth. Estimates show that the non-agricultural employment share of the informal workforce is 78 percent in Africa, 57 percent in Latin America, and 45–85 percent in Asia. The informal economy has a substantial job and income generation potential. The size of the informal labor force in Africa is almost 80 percent and is also responsible for over 90 percent of the new jobs created. The informal workforce in India is estimated at 370 million workers, nearly 93 percent of the total workforce.

According to the Fifth International Conference of Labor Statisticians (ICLS), the informal sector comprises units engaged in producing goods or services to generate employment and income for the persons concerned. The following are the categories of the informal sector as per ICLS.

1) Home-based workers:

a) Dependent home-based workers who will:

- i) work at home outside the establishment that buys their product;
  - ii) agree by prior arrangements to supply goods or services to a particular enterprise;
  - iii) get remunerated through what is paid for their products;
  - iv) do not employ workers regularly.
- b) Independent home-based workers work in their homes and deliver their products or services to prospective buyers. Their characteristics are those of the self-employed and are classified as part of the "account workers."
- 2) Street traders and street vendors.
  - 3) Itinerant, seasonal, or temporary job workers on road works or building sites
  - 4) . Waste collectors are an example for those in between the streets and homes.

As per the Central Statistical Organization (C.S.O.), all unincorporated enterprises and household industries (other than organized ones) which are not regulated by laws and do not maintain annual accounts or balance sheets constitute the unorganized sector. The Directorate General of Employment and Training (DGET) defined the organized sector as comprising all private establishments employing ten or more persons. By implication, the informal sector comprises enterprises with less than ten employees. These are not (a) organized systematically, (b) made formal through mandatory registration or licenses, and (c) covered by legislation to protect minimum labor standards in employment and development.

## 1.2 Objectives

In order to fill the research gaps identified and to address the problem stated, the following are the primary objectives identified to cover in this research.

- 1) To study the evolution of the street vending business
- 2) To examine the role of street vendors in India

### 1.3 Role of the Informal Economy in India

The data relating to total employment, the composition of non-agricultural and agricultural employment to total employment, the share of the formal and informal workforce to total employment, and the share of informal and formal to total non-agricultural employment is presented in Table 1.1

**Table: 1.1**  
**Composition of employment in the informal economy in India, 2006**

<b>Particulars</b>	<b>Total</b>
<b>Total employment</b>	397,720,000
Total non-agricultural employment	159,897,000
Total agricultural employment	238,197,000
Total informal employment	
Number of persons	369,755,000
Percentage of total employment	93
<b>Non-agricultural informal employment</b>	
Number of persons	133,355,000
Percentage of total employment	34
Percentage of non-agricultural employment	83
Percentage of total informal employment	36
<b>Employment in informal enterprises</b>	
Number of persons	110,034,000
Percentage of total employment	28
<b>Particulars</b>	<b>Total</b>
Percentage of non-agricultural employment	69
Percentage of total informal employment	30
Percentage of non-agricultural informal employment	83
<b>“Residual”</b>	
Number of persons	23,321,000

Percentage of total employment	6
Percentage of non-agricultural employment	15
Percentage of total informal employment	6
Percentage of non-agricultural informal employment	17
<b>Agricultural informal employment</b>	
Number of persons	236,779,000
Percentage of total employment	60
Percentage of agricultural employment	99
Percentage of total informal employment	64

Source: Calculations prepared by Jeemol Unni from the national census and survey data

The term total informal employment includes both agricultural and non-agricultural employment. Table 1.1 reveals that the informal workforce in India is estimated at 370 million workers, nearly 93 percent of the total workforce. The informal workforce consists of three important segments. 1) Informal employment in agriculture – comprising the self-employed in small-scale farm units and agricultural labor – which remains essential in India, represents 60 percent of total employment. 2) Employment in informal enterprises/sectors outside of agriculture represents another 28 percent of total informal employment. 3) Informal employment outside informal enterprises and agriculture is an estimated 6 percent of the total informal workforce (this is the Residual Category in table 1.1).

Total employment is 397 million workers. It comprises total Non-Agricultural employment (159 million workers) and Agricultural employment (238 million workers). Total informal employment, a part of the total employment, is 370 million workers; it includes the total agricultural employment (238 million) and a part of the Non-Agricultural employment (131 million). The remaining portion, i.e., 28 million workers, are employed in the formal sector. The share of Agricultural informal employment is 238 million workers, whereas Non-Agricultural informal employment is 133 million workers, and it is composed of employment in informal enterprises (110 million workers) and a residual component of 23 million workers. The 23 million workers in informal employment outside informal enterprises and outside of agriculture include outworkers or home workers subcontracted by formal sector units and domestic workers engaged by households, such as maids, gardeners, and security staff. This category is determined by a residual method that estimates workers in informal

jobs who are excluded from the official definition of the informal sector. It is likely that the residual method also identifies some workers who would fall under the informal sector definition but are incorrectly excluded – or missed – in informal sector statistics. For example, there is evidence that casual workers for informal firms, particularly in the construction industry, outworkers for informal firms, and barbers, tailors, or other service workers without a fixed place of work are not fully captured in statistics on informal enterprises. With no fixed place of work, these workers are often missed in data collection efforts.<sup>5</sup> It is this category that street vendors fall into. According to the study by Sharit K Bhowmik (2005), street vendors constitute approximately 2 percent of the population of a metropolis and 1 percent of the country's population.

India is one of the largest urban populous countries in the world. A high rate of population growth and migration is likely to see a further rise in the size of our towns, cities, and metropolitan areas. The considerable migration is due to the lack of employment opportunities in the formal sector and informal means of livelihood prevailing in the cities. In the era of globalization, the retail sector has been a fast-growing emerging sector that provides enormous employment. However, besides formal retail chains, small retailing, including street vending, has been one of the easiest ways to survive for the working poor for ages and is widespread in the urban informal sector.

According to the study conducted by Debdulal Saha (2008), a large proportion of the urban population depends on the urban informal sector for its livelihood. This is seen from the fact that this sector constitutes up to 50 percent of the labor force in cities like Calcutta, Bombay, and Madras. The urban informal sector comprises essentially the self-employed, who can be grouped into three broad categories:

1. Home-based producers like artisans and piece rate workers
2. Petty vendors and hawkers selling fruits, vegetables, fish, household items, and general items like socks, shoes, sofa covers and
3. Those who sell their services, including their manual labor like cart pullers, loaders, and head loaders

According to the study by Sharit K. Bhowmik (2002), Mumbai has the most significant number of street vendors, around 250000, while Delhi has around 200000. Calcutta has more than 150000 street vendors, and Ahmadabad has around 100000.

#### 1.4 National Scenario of Street Vendors in India

The business environment prevailing in India has recognized street vendors through its policies and Acts. A brief description of how a street vendor is identified is described as follows:

According to the National policy on urban street vendors formulated by the government in 2004, a street vendor is broadly defined as a person who offers goods or services for sale to the public without having a permanent built-up structure or with a temporary static structure or mobile stall (or head load). Street vendors may be stationary by occupying space on the pavements or other public/private areas or may be mobile in the sense that they move from place to place carrying their wares on push carts or in cycles or baskets on their heads, or may sell their wares in moving bus, etc. In this policy document, the term urban vendor is inclusive of traders and service providers, stationary as well as mobile vendors, and incorporates all other local/region-specific terms used to describe them, such as hawker, pheriwalla, rehri-Patri walla, footpath dukandars, sidewalk traders, etc<sup>9</sup>. The National Policy on Urban Street Vendors, 2009, approved by the U.P.A. government, recognizes street vendors as micro-entrepreneurs.

According to the classification of enterprises as per the Micro, Small and Medium Enterprises Act 2006, the street vendor can be broadly defined as a micro-entrepreneur who offers goods for sale to the public without having a permanent built-up structure but with a temporary static structure or mobile stall or those who sell goods by keeping them on their head.

In accordance with the provision of the Micro, Small & Medium Enterprises Development (MSMED) Act, 2006 in India, the Micro, Small, and Medium Enterprises (MSME) are classified into two categories:

(a) **Manufacturing Enterprises**- The enterprises engaged in manufacturing or producing goods pertaining to any industry specified in the first schedule to the Industries (Development and Regulation) Act, 1951. Manufacturing Enterprises are defined in terms of investment in Plant & Machinery.

(b) **Service Enterprises:** The enterprises engaged in providing or rendering services are defined in terms of investment in equipment. The limit for investment in plant and machinery/equipment for manufacturing/service enterprises, as notified, vide S.O. 1642(E) dtd.29-09-2006, is as under:

**Table: 1.2**

**Classification of enterprises as per Micro Small and Medium Enterprises**

<b>Manufacturing Sector</b>	
<b>Enterprises</b>	<b>Investment in plant &amp; machinery</b>
Micro Enterprises	Does not exceed twenty-five lakh rupees
Small Enterprises	More than twenty-five lakh rupees but does not exceed five crore rupees
Medium Enterprises	More than five crore rupees but does not exceed ten crore rupees
<b>Service Sector</b>	
<b>Enterprises</b>	<b>Investment in equipment</b>
Micro Enterprises	Does not exceed ten lakh rupees:
Small Enterprises	More than ten lakh rupees but does not exceed two crore rupees
Medium Enterprises	More than two crore rupees but does not exceed five core rupees

Source: MSME website

Thus, as per MSME Act, as a street vendor investing less than 25 lakh rupees, he is classified as a micro-entrepreneur. According to the National Commission on Labor, street vendors are identified as self-employed workers in the informal sector who offer their labor for selling goods and services on the street without having any permanent built-up structure.

### 1.5 Evolution of Street Hawking Business

The informal sector is divided into two categories based on their previous work history; the first category, namely low-skilled rural migrants, exists in Asia and is more prevalent in poorer countries such as India, Bangladesh, Nepal, Cambodia, and Vietnam. These countries do not have a strong industrial base. The second category, namely workers who were earlier in the formal sector, exists in countries such as the Philippines, South Korea, Thailand, Malaysia, Indonesia, and India. The reason is large-scale unemployment in these countries due to the closure of several industries:

### 1.6 Share of Non-Agricultural Employment in Informal Workforce

The informal workforce can be subdivided into agricultural employment and non-agriculture employment. The data pertaining to the share of non-agricultural employment and agricultural employment in the informal workforce is presented in Table 2.1

**Table 1.3**

#### Share of Non-Agricultural Employment in Informal Workforce

Region	Agricultural employment	Non-Agricultural employment
Africa	22%	78%
Latin America	43%	57%
Asia	55-15%	45-85%

Source: Kristina Flodman Becker, Fact-finding study, Sida, March 2004, [info@sida.se](mailto:info@sida.se)

It is evident from table 2.1 that the non-agricultural employment share of the informal workforce is 78 percent in Africa, 57 percent in Latin America, and 45-85 percent in Asia.

### 1.7 Share of Self-Employment in Informal Workforce

The activities in the informal sector can be categorized into two sections, self-employed and casual (non-permanent) labor /salaried. The data relating to the share of self-employment in the informal workforce is presented in Table 2.2

**Table 1.4****Share of Self-Employment in Informal Workforce**

Region	Self-employment	Salaried
Sub Saharan Africa	70%	30%
Region	Self-employment	Salaried
North Africa	62%	38%
Latin America	60%	40%
Asia	59%	41%

Source: Kristina Flodman Becker, Fact-finding study, Sida, March 2004, info@sida.se,

The data shows that in all developing countries, self-employment comprises a greater share of informal employment than wage employment. Table 2.2 reveals that, specifically, self-employment represents 70 percent of informal employment in Sub-Saharan Africa, 62 percent in North Africa, 60 percent in Latin America, and 59 percent in Asia. Therefore appropriate policy framework and strategies aimed at the informal economy must be developed for job creation and economic growth.

### 1.8 Contribution of Informal Sector to G.D.P. in Select Developing Countries

There is a significant contribution of the informal sector to the G.D.P. of economies across the world. The share of the informal sector's contribution to G.D.P. in various countries is presented in Table 2.3

Table 1.5

## Contribution of the informal sector to G.D.P. in Selected Developing Countries

<u>Country(year)</u>	<b>Informal sector G.D.P. as a percentage of non-agricultural G.D.P.</b>
Northern Africa	27
Sub-Saharan Africa	41
<u>Country(year)</u>	<b>Informal sector G.D.P. as a percentage of non-agricultural G.D.P.</b>
Benin (1993)	43
Cameroon (1995–96)	42
Kenya (1999)	25
Mozambique (1994)	39
Tanzania (1991)	43
Latin America	29
Colombia	25
Mexico (1998)	13
Peru (1979)	49

Asia	31
India (1990–91)	45
Indonesia (1998)	31
Philippines (1995)	17

Source: Data prepared by Jacques Charmes, I.L.O., Women, and men in the informal economy – a statistical picture 2002

Table 2.3 exhibits that the contribution of the informal sector to G.D.P. is also significant. Estimates have been made of the contribution; these estimates indicate that the contribution of informal enterprises to non-agricultural G.D.P. varies from a low of 27 percent in Northern Africa to a high of 41 percent in Sub-Saharan Africa. The contribution of the informal sector to G.D.P. is 29 percent for Latin America and 41 percent for Asia. The fact that such a large number of countries have a significant contribution of the informal sector to total G.D.P. shows the role played by the informal sector in these economies.

### 1.9 Growth of the Informal Sector and Street Vending

It has been observed that even manufacturing units in the informal sector have grown faster than the units in the formal sector. In India, according to the government's pre-budget economic survey for 2004-05, the total workforce in the formal sector is around 27 million, while the small-scale industries provide employment to 28 million workers. The survey notes that employment in this sector grew from 24 million in 2000-01 to 28 million in 2004-05 whereas employment in the formal sector is stagnated at 27 million since 1991. Around half of those employed in the formal sector are in white-collar jobs; hence workers in the small sector outnumber blue-collar workers in the formal sector. The activities in the informal sector are classified into two sections, i.e., i) self-employed and ii) casual (non-permanent) labor /salaried.

A major section of the self-employed work as street vendors. The Government of India has used the term urban vendor as inclusive of both traders and service providers, stationary as well as mobile, and incorporates all other local/region-specific terms used to describe them, viz. hawker, pheriwala, rehri-patriwala, footpath dukandars, sidewalk traders, etc.

There has been mushroom growth in the number of street vendors in major Asian cities. The reports from the Asian countries show that there was a jump in the number of street vendors after the financial crisis of 1998. This crisis affected the Asian countries, which triggered a sharp rise in street vendors in Thailand, Singapore, and the Philippines. This is the reason that many of the workers lost their jobs in the formal sector and opted for street vending to make a living. For the urban poor, street vendors provide goods, including food, at low prices. Hence we find that one section of the urban poor, namely street vendors, subsidizes the existence of other sections of the urban poor by providing them with cheap goods, including food. Middle-income groups also benefit from street vending because of the affordable prices offered.

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