



## A Critical Analysis of Covid-19 Impact on Unorganized Sector in Indian Economy

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### Abstract

The coronavirus pandemic arises as huge shock to the labour market in India, hitting the employment situation and threatening the existence and survival of millions of workers and their families. In India there are so many small and big industries comprising unorganized sectors in which large portion of total work force is engaged, but it is very difficult to organize them, nor can their data be collected related to how many people are working in these sectors in India and how much they have income and how they live their lives, despite the Government of India providing financial help to millions of laborers and farmers, these people could not get financial help because there is no systematic data for their identification of these people in India. Absence of job security, no paid leave, or improper job contract makes them exposed to severe difficulties of the labour market. Unorganized sector shall lead to a state of destitution, hunger, starvation and even death, if not protected with an immediate social safety net. According to the latest investigation of the Centre For Monitoring Indian Economy (CMIE), the inclusive rate of unemployment has increased from 8.4 percent to 23.8 percent in the week ending 29 March 2020. Covid-19 has not proved to played havoc as health crises but also as a financial crises in all over the world. In India the number of unemployed people has risen from 32 million to 38 million in total, in which 30 percent comprises from urban and 21 percent from rural areas. The objective of this paper is to focus attention on the vulnerability of the unprivileged workers from the unorganized sectors of the country.

**Key Words:** Covid-19, corona virus, unorganized sector, unemployment, CMIE, Labour market and migrants.

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## **1. INTRODUCTION**

India is a developing country moving on the path of continuous growth and development of the economy. Industries are being gradually strengthened and systematized in the marketplace. The Indian enterprises are continually being innovated through constant labor and industrial laws and other measures by the Government of India. Regular directions are being given, but despite these efforts taken by the Government, all these industries in unorganized sectors have not been fully systemized, nor there exists a proper system of recording and adequate data management for the people working in them in an appropriate and well-designed manner. This is the reason the Government of India, even after so much effort and policymaking, continuously facing failures in providing direct assistance and financial aid to the migrants from unorganized sectors during this lockdown period due to COVID-19 pandemic. The sudden declaration of continuous lockdown has resulted in poor policies management especially for these people working in unorganized sectors which are shown in the migration of these people from their workplace, and their suffering from starvation are the live examples of complete arrogance of policymakers from these unprivileged people belongs from unorganized sectors. The Government has no stable policies, no platform for their health security and their employment records, the existence of these people got destroyed at the time of the down, and these people were dying of starvation. The laborers registered in the village through MNREGA and other schemes are still within reach of government assistance and financial aid in the form of various protective and promotional policies. Yet, these people are not registered due to which they could not reach financial aid resulting in complete deprivation and starvation and migration to their native places back to their homes where they belong, with a hope to get at least basic survival there. In these industries such as people working in hotels, people working on dhabas, Tourist guides, Tourists, Car drivers, Horses, Camels and Horses, People on Boats, Boats, People, Rickshaw drivers, Freelancers, Shoe polishing procession People working at home, people at weddings, horses, band-lights, light-lifting, pollinating flowers, etc., people who do not have a regular place of their own, and those who work on the road. The help the Government of India to such people could not reach, and it is not easy to provide support to these people due to a lack of complete records. The Government of India should take such steps so that the data of these people can be collected so that in case of such calamity in the future, these people can be given government financial and promotional assistance and attention. At the time of the Lockdown in India, the migration problem of migrant laborers came before all the states, and a considerable number of laborers went to the streets to go to their homes from one place and these laborers in an attempt to return home. Why this happened, why the Government made such a big mistake of India, if the reason is seen, the biggest reason for this is due to the problem of livelihood in front of the workers, due to the loan, the factory owners closed their factory which results in the shutdown of work.

## **2. THE OBJECTIVE OF THE STUDY**

The primary aims of the paper are to critically analyses the most severely affected migrants' worker from unorganized sectors and to provide a reasonable solution for their betterment.

### **3. RESEARCH METHODOLOGY**

The study has been concluded based on secondary data provided by the newspapers, TV channels, and government publications and sites.

### **4. EFFECTS OF COVID -19 ON UNORGANIZED SECTORS IN INDIA**

The unorganized sector comprises the majority of the workforce. It consists mostly of people working in organizations or in industries where there are no laws, unions, and measures of social security. Men who work as vegetable sellers, rickshaw pullers, load carriers, transport workers, fishermen, farmers, construction workers, and women, who work in these sectors and as domestic workers, all fall in this category. A majority of the mare also people, who have moved out from their villages in search of better livelihoods. They have often left their families and homes, hence may be classified as migrants.

In 2018 as per the report released by the NITI Ayog, India's 85 percent of the total workforce comes from the unorganized sector, which increases to 93 percent of the entire workforce of the nation according to the Economic Survey of 2019. As per The Periodic Labour Force Survey, 2017-18, workers from the non-agriculture sector, at least 71 percent of the regular and salaried employees in the informal sector do not have a properly written job contract defining their rights and employment security. About 49.6 percent of them do not even apply for social security schemes, and 54.2 percent do not get paid leave. India's vast informal sector is likely to be the worst hit and badly effected due to coronavirus pandemic and lockdown situation in the country.

In almost all over the country, the usual markets have been fallen silent as the regular noisy surrounding of business on the roads have been disappeared due to lockdown situations in the country. The small shops and food vendors on the sidewalks have gone, and almost every shop except the odd grocery store or pharmacy usually is crowded shopping areas have been closed down and where the situation is quite liberal which are exempt from the lockdown, very fewer people who run venture out maintain distance from each other in queues at grocery shops,

**Informal or unorganized enterprises** – In India, unorganized sectors, so-called parallel economy, provide approx. 85% of overall employment and contribute around 40% of total GDP. Our nation is facing a big crisis right now when Covid-19 has had a significant impact on government services and business. The pandemic has already exposed the health vulnerabilities facing India, especially its rural poor and urban slum dwellers. From the sector which accounts for at least 60 % of Indian's economy, millions are reduced to subsistence living, and even worse, in some cases, consumption is set to spiral lower. There is no separate published data for the unorganized sector as a whole. During this lockdown period of more than two-months, almost all economic activities have come to a standstill, factories are not running, establishments are closed, and most markets are shut, there is a disruption in work, loss of wages and income and starvation due to the scarcity of food. All these issues are interconnected and created miserable situations for crores of people in India.



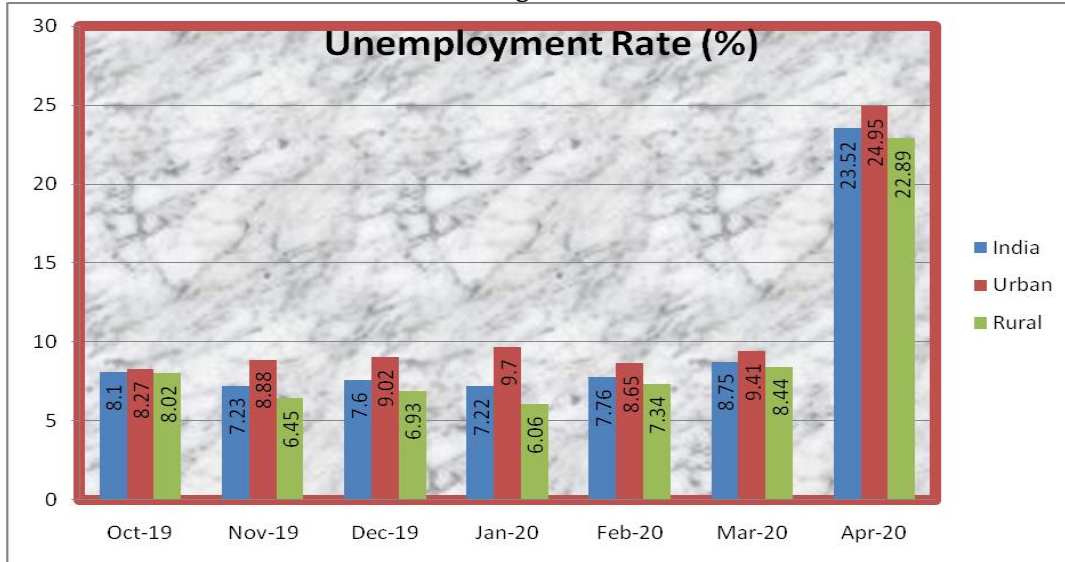
According to the latest survey of the Centre For Monitoring Indian Economy (CMIE), Before the commencement of lockdown, the number of working populations was 404 million. During the first lockdown week period, around one-fourth of the total working-age population, i.e., 285 million people out of 1,003 million were working. It means the rest 119 million people lost their jobs within the starting week of the lockdown. The impact of this continuous lockdown shows that around one-third of India's households could be facing a relentless livelihood crisis.

If we compare the rate of employment in January 2016, which was 40.7 percent, it remains unchanged till February 2020, with speed at 40 percent. Drastically this figure changed in March 2020 after the first week of lockdown and reached 29.9 percent and further declined to 27 percent in April 2020. This sudden increment in the unemployment rate is an alarming situation that is to be deeply considered by the Government of India.

Table 1

Month	Unemployment Rate (%)		
	India	Urban	Rural
Apr 2020	23.52	24.95	22.89
Mar 2020	8.75	9.41	8.44
Feb 2020	7.76	8.65	7.34
Jan 2020	7.22	9.70	6.06
Dec 2019	7.60	9.02	6.93
Nov 2019	7.23	8.88	6.45
Oct 2019	8.10	8.27	8.02

Figure 1



If the situation continues like this, the workers from unorganized sectors will be exposed to extreme difficulty in arranging the food and other necessities. When interviewed some of these people, they told us that they are facing such hardship, which they never expected in their life; some of them were somehow depending on food such as khichdi distributed in their nearby localities during the lockdown. Most of them have lost their livelihood due to the shutdown. There seems to be no plan for dealing with issues of these underprivileged and unorganized workers from various informal sectors. However, the Government is continuously announcing multiple schemes of assistance to these people, but these have not been executed on the ground. Despite various efforts to provide food and help to these sectors, they are still deprived of these aids because of no particulars record about their employment contracts and security and statistical data about these workers due to which assistance cannot be directly related to these unprivileged.

The issue of employment security will be a limited privilege to the labor aristocrats, i.e., permanent and skilled workers, and unemployment will be much higher than around 24% estimated by the CMIE. The labor sector under the MGNREGA, 2005 are worst impacted as they are not provided jobs due to lockdown, most of the labor sectors are associated with the construction companies and daily wage earners. The various restriction imposed on travel due to lockdowns and forced quarantines to the travelers and migrants has critically affected hundreds and millions of people, which resulted in Indian factories facing problems of short of labor and parts, just-in-time supply chains and triggering sales warnings across technology, automotive, consumer goods, pharmaceutical, and other industries.

#### 4.1 Impact on various sectors

1. **Online Business/Internet Business sector:** It contributes 10 % to the GDP of India and plays a significant role in the economy with a market share of USD 950 billion. It showed a drastic fall in employment due to a COVID impact during the lockdown duration. Its significant

- segments are the household and personal care products (50 %), healthcare segment (31%), and the food and beverage sector (19%).
2. **Workers from Construction and other sectors-** the worker from these sectors are highly effected and suffer most in the form of lost employment and no job security. They are so severely affected that situation makes them migrants and compels them to suffer from starvation. Other workers include casual workers, handloom and power loom workers, beedi and cigar workers, sweepers and scavengers, and workers employed in shops and commercials establishments.
  3. **Restaurants Services.** This impact of the pandemic has forced closures of operations of thousands of dine-in restaurants, pubs, bars, and cafes due to the shutdown of mining operations.
  4. **Food and Agriculture:** The food and agriculture sector contributes the highest in GDP, i.e., 16.5% and 43% to the employment sector. The significant portion of the food processing sector deals with dairy (29%), edible oil (32%), and cereals (10%).
  5. **MSME:** Micro, Small, and Medium Enterprises contribute around 35% of the total GDP of India, dividing in micro (99%), small (0.52%) and medium (0.01%) enterprise During this period, they are facing liquidity constraints and loss of purchasing capacity. If we see the sectorial distribution of MSMEs, it shows 49% from rural and 51 % from the semi-urban and urban areas. Consumer goods, garments, logistics are facing a sharp drop in the business, and the MSMEs engaged in the service sector are still operating.

**4.3 The shrinking of unorganized sector is a positive indicator of development:** In a way to fulfill the dream of Prime Minister Narendra Modi of doubling the size of the economy to \$5 trillion by 2024, the Government has announced cash support for informal sector workers and Modi has even made a rare apology for the hardships they face. Friendly firms have insufficient access to formal finance and can go into distress quickly when cash flow becomes irregular, which leads to a reduction of labor.

**4.4 Various measures taken to give protection to these sectors:** The central bank of India has come with extraordinary measures that included lowering of borrowing costs to the customers, providing around \$50 billion of liquidity to banks to expand credit and providing the freedom to some extent to lenders in the form of suspension of some loan repayments for three months. As a measure to fund the deficit, it has been proposed to let the Reserve Bank of India directly buy bonds from the Government. Further, some economists have suggested for reducing more rate of interest, support programs for small and medium scale businesses and handing out cash to the poor under a universal basic income program. While others are of the view that various measures by the Government are forcing the farmers and small business people to take more loans, which further will throw them into the net of suffering if their expected earnings do not increase as per their expectations. This situation will also enhance their difficulties and loss of employment to many people. The Government should, at this time of financial distress instead of providing easy loans, should help them in providing cash assistance in the form of their loss of earning during this lockdown period. If we refer to the recent measures announced by the Government and the RBI to mitigate the impact of the pandemic, as said by the RBI governor, these are only for short term and may not deliver the desired results as the problem is severe and has been further aggravated by the lockdown.



The eruption of the coronavirus has any supplementary to the matter of the weak business enterprise state of affairs already prevailing the economy of the country, production can suffer, and most policy initiatives square measure doubtless to return to cypher if this internment is sustained to any amount. For India, it was the development amount from the beginning of the year, since the signs of recent growth were changing into visible in Asia's third-largest economy. Closed production and stoppage of alternative money and economic activities also will have prospective to inflate the ranks of the pink-slipped, that consistent with the middle for observation Indian Economy Pvt. rose to 7.8% in February from seven. 2% a month earlier. An extra ten million hit the task market once a year, which means that variety is about to swell on the far side what some economists say is already the worst job market in forty-five years. The unorganized sector in our country accounts for the ninety-three workforce, as per the newest Asian country 2020 publication, which provides ministry-wise data concerning numerous programmers. The unorganized sector anticipated to suffer a significant collapse within the coming back days as a result of the speed of job generation is unceasingly falling at a sinister rate because of this prolonged internment and weak GDP. With the commencement of the 2020-21 yr, the results of coronavirus have affected the steadiness of the economy of a hundred and fifty countries. COVID nineteen impacts have taken with no consideration and have entirely modified their modus vivendi, economy, impacting business, and assumption of collective welfare. The internment because of COVID -19 effects has severely affected the service sector like banks, transports, schools, beauty salons and parlors, bars, restaurants, food vendors, and food delivery suppliers within the method of providing health safety and medical sustenance. It's time we must always even have to trust the health of the noisome economy by mobilizing the resources and build plans for job creation and job continuity.

##### **5. VARIOUS POLICIES OF GOVERNMENT TO SUPPORT THE SEVERELY AFFECTED THE DURING COVID -19 IMPACT ATMANIRBHAR GUJARAT SAHAYYOJNA' FOR SMALL TRADERS**

Under the theme, loans up to Rs one large integer are given at two interest to tiny traders while not security for three years with no equated monthly installment (EMI) for the first six months. The theme aims to supply monetary help to tiny business individuals, consummate staff, autorickshaw homeowners, electricians, and barbers, etc. to induce back to business, that was

noncontinuous by the COVID-19 internment. This theme is useful from could 21; the regime can bear 2020 Under this scheme; the beneficiaries can have to be compelled to pay interest of twenty-two once a year and therefore the balance out of the total rate of interest of {8 may one945 |V-E Day |8 May 1945 |V-day} on unsecured loans up to Rs 1 large integer. These loans are provided by the Co-operative banks and Credit Co-operative Societies within the state. It's expected that over ten significant integer individuals can get Associate in a Nursing investment of Rs. 5 thousand crores underneath the independent theme. The loans are provided for three years. And no installment and interest can have to be compelled to be purchased for the first six months. However, the loan ought to be paid in thirty equal payments from consecutive months ahead. Further, no tax on these loans is charged. Neither price is charged for Associate in Nursing form, and these forms will be received from Co-operative banks or Credit Co-operative societies.

Pradhan MantriShram-Yogi Maandhan (PMSYM) –It is that the sponsored pension theme for unorganized sector staff proclaimed within the Budget. Team up to forty years and with a monthly financial gain of but Rs fifteen,000 are ready to enroll underneath the theme. A 40-year-old can have to be compelled to contribute Rs two hundred a month to avail Associate in Nursing assured monthly pension of Rs three,000 upon completion of sixty years underneath the program.

## 6. SUGGESTIONS

The informal sector has been the worst hit by COVID-19. Therefore cash-starved businesses have either shut search or delayed workers' salaries. An attempt ought to be created to form information of migrant employees is most important. The infoought to record the complete details, like the whole variety of migrants, urban-rural migrants, gender division in such information, and then forth. However, our recent expertise with the migration of employees to their native places was a forbidding lesson in focusing additional on maintaining holistic records that square measure updated often with crucial details that embody, inter-alia, current areas of labor, bank accounts, residence, and place of nativity. Such information may additionally make sure the delivery of targeted economic advantages. Eventually, convergence around this might produce a framework of health, banking, microfinance, insurance networks focused around employees and migrants in urban areas. Workers teams might be created as a supported business profile and financial gain brackets. Regular engagement with them at the municipal level will instill confidence within the administration. The govt policies ought to be upgraded with real import entirely targeted to produce health and economic advantages to them. Among the unorganized labor category, the additional vulnerable ones, like maids, cooks, the aged and unwell employees, might be targeted higher. Labour Ministry had, within the recent past, exploring the chance of launching an Associate in Nursing Unorganized employee indicator Card to produce Social Security protect unorganized employees. Ultimately, it had been determined to use the Aadhar variety rather than that. It can be geared toward utilizing resources from the projected Social Security Fund underneath the Code on Social Security, 2019. This effort can offer a way of economic security and act as a tool to observe this section of the population higher.

## 7. CONCLUSION

We all tend to come together when faced with an external challenge and put our differences aside, resolving all common and territorial issues and this will be presumably the essential element for emerging more reliable and better, a time all nationals coming together around common goals: alleviating distress, protecting the population, and creating better futures for every Indian. Modi Ji has supported indirectly to these unorganized sectors in the form of a 20 lakhs crores package.



But the situation is worst for these sectors; they need direct and immediate support in the form of cash assistance. Instead, this package has motivated the small businessmen and self-reliant areas to take more loans on easy terms and reduced rate of interest with delayed premium payments. But in today's scenario problem is worst, they need assistance for fighting current situation, if they would be unable to face current challenges, how they can expect a prospect of the business and secondly the Government department should be streamlined and expanded to reach out to the unorganized sectors and bring such workers under the code purview. The Government should announce carefully targeted stimulus packages for specific areas like MSME, NBFCs, unorganized labor, and traders to cover a large section of the population and to provide relief to sectors that generate employment and stability.

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