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## Unorganized Manufacturing Industries in Uttar Pradesh: An Empirical Study

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### **Abstract:**

*The main purpose of this study is to find out that how many OAMEs, NDMEs; DMEs are there in unorganized manufacturing industries. It also aims to find the use of machines in these units and the labor-capital ratio. Attempt is made to show the number of female and male workers in these units. Sample size is hundred unorganized manufacturing units. Target area is Ghaziabad and Noida which is the industrial hub of Uttar Pradesh. It is an empirical study. This study is different from majority of work, researches done in unorganized manufacturing industries because it is based on primary data. Majority of the studies are done on secondary data collected from NSSO. But in this study there have been direct interaction with the respondents.*

**Key words:** unorganized manufacturing, OAME, NDME, DME, labor

### **1. Introduction**

There are many controversies on the concept of unorganized sector. It is sometimes described as the sector which is not recorded under any factory legislation. The term 'informal sector' was first coined by Hart. He describes the informal sector as that part of the urban labor force which falls outside the organized labor market. National Sample and Survey (NSS) framework has defined that the unorganized manufacturing sector includes all manufacturing enterprises except: those registered under section 2m-(i) and 2m(ii) of factories Act, 1948. And bidi and cigar workers (conditions of employment) Act, 1966; those run by government/ Public Sector Enterprises. Unorganized sector is divided into three types of enterprises, these are: Own Account Manufacturing Enterprise (OAME), Non-Directory Manufacturing Establishment (NDME), Directory Manufacturing Establishment (DME). Own Account Manufacturing Enterprise (OAME) is one, which runs without any hired worker employed on a fairly regular basis and is engaged in manufacturing and/or repairing activities (with family labor only). An establishment employing less than six workers (household and hired workers taken together) and engaged in manufacturing activities is termed as Non-Directory Manufacturing Establishment (NDME). A Directory Manufacturing Establishment (DME) is one which has employed six or more workers (household and hired workers taken together) and is engaged in manufacturing activities. Unorganized sector is of great relevance because it has a huge potential for job creation. The aggregate manufacturing Gross State Domestic Product (GSDP) of all states and UTs is distributed between (unregistered) sectors. There has been a high correlation in the existence of organized and unorganized industry. It has been found in studies conducted by National Sample Survey Organization (NSSO) that states with high share of organized manufacturing in the country also have high share in the unorganized manufacturing. This shows that unorganized industry generally coexists with the organized industry. Uttar Pradesh comes under top five states which has high share in manufacturing Gross State Domestic Product (GSDP). Andhra Pradesh, Maharashtra, Tamil Nadu, Uttar Pradesh, West Bengal are the five states among all the states in India that accounts for 55% of the nation-wide employment in unorganized manufacturing (T.S Papola et al). In a comparative study of twenty-five states it has been found that in seven states all the three enterprises that is OAME, NDME and DME has shown a fall in 2005-06 compared to 1995-95 in the four variables that are: number of enterprises, employment, Gross value added and fixed assets. The plan of this paper is as follows. The literature is reviewed in Section 2. In Section 3, theoretical Framework is given. Section 4, discusses the data set used. Methodology is explained in Section 5. In Section 6, Findings are shown. Section 7 concludes.

## 2. Literature Review

Kalirajan et al (2004) has explained that the two reasons for the rapid growth of unorganized manufacturing sectors are: urbanization and rural to urban migration. It was observed that in the post 1997-98 period, output in the organized sector has grown at a slower rate than in organized manufacturing. The reasons are the emergence of flexible production systems and substantial increase in outsourcing by the organized sector. There is a need to study the size, structure and performance of unorganized manufacturing sector in India.

Neeru Garg (2012) has found that women are mainly occupied in unpaid and part-time jobs and their share in hired workers and full time jobs is very low. Poverty can be tackled by providing opportunities of productive employment to women. In unorganized manufacturing sector of India 'feminization of part-time jobs can be associated with urbanization of female workers. Also, among three types of enterprises, DMEs follow the least discriminating practices among men and women workers. It was suggested that 'true and just' development can be achieved only when half of the world's population is recognized as equivalent to the other half.

Breman (1999) has given attributes that why less study has been done on this unorganized manufacturing sector. The reasons are: lack of knowledge regarding the lower level of the urban economy, lack of affinity with methods of research that could increase that knowledge.

Kundu (1998) has focused on the need for research in unorganized sector. Very small number of studies have been done on the unorganized manufacturing sector. This bias is even clearly visible in the Indian Statistical system.

Kulashreshta et al (2001) has found that India's manufacturing sector has a large unorganized component (comprised of units less than 10 employees using power and those units with 10 to 19 employees not using electric power) employing about 3/4<sup>th</sup> of the manufacturing workforce and contributing to 17% of the total National Domestic Product (NDP) of the unorganized non-agricultural sector.

Thomas (2002) has explored that the unorganized manufacturing sector has a growth rate of 9.3% in the 1990's which shows that it is a fast growing segment of India's domestic economy.

Unni et al (2001) found that there have been a decline in Total factor Productivity (TFP) in both the organized as well as unorganized sector for the period under study. Also, positive labor and capital productivity in the unorganized sector during late 80's is observed.

## 3. Objectives

Mostly, all the studies and research work done on unorganized manufacturing industries in India is based on secondary data collected from National Sample Survey Organization (NSSO) survey of employment and unorganized enterprises. But, this study is based on primary data. The objectives of this study are:

- To classify the unorganized manufacturing industries on the basis of OAME, NDME and DME.
- To find out the number of female workers contributing in unorganized manufacturing units.
- To find the usage of machines in these industries.

## 4. Data Set and Methodology

Primary data is collected with the help of Questionnaire. Sample size is 100 unorganized manufacturing units. Five major manufacturing industries are considered. Target respondents are the owner of organized manufacturing units in Uttar Pradesh. Target area is Uttar Pradesh because according to researches, it has the highest level of labor productivity in the unorganized sector. Also, Uttar Pradesh is among top five states that together accounts for 55% of the nation-wide employment in unorganized manufacturing sector. Sample is collected from the districts of Ghaziabad and Noida as they are the leading industrial hubs in Uttar Pradesh. It is an empirical study based on the data collected from the survey.

| S.No. | Industry                      | NIC Code 1998 | Total No. Of Units | OAME | NDME | DME |
|-------|-------------------------------|---------------|--------------------|------|------|-----|
| 1.    | Metal & metallic product      | 27            | 21                 | 13   | 6    | 2   |
| 2.    | Textile                       | 17            | 18                 | 6    | 8    | 4   |
| 3.    | Wood                          | 20            | 12                 | 6    | 2    | 4   |
| 4.    | Food products & beverages     | 15            | 20                 | 14   | 2    | 4   |
| 5.    | Non-metallic mineral products | 26            | 29                 | 23   | 4    | 2   |

Table 1: Classification of Industry On The Basis Of OAME, NDME and DME

| Industry                      | No. Of Units | Total No. Of Workers | No. Of Power/Electric Machines | L/K   |
|-------------------------------|--------------|----------------------|--------------------------------|-------|
| Metal & metallic product      | 21           | 78                   | 2                              | 39    |
| Textile                       | 18           | 88                   | 2                              | 44    |
| Wood                          | 12           | 64                   | 0                              | 0     |
| Food products & beverages     | 20           | 96                   | 4                              | 24    |
| Non-metallic mineral products | 29           | 38                   | 3                              | 12.67 |

Table 2: Labor- Capital Ratio in the Sample Units

| Industry                      | No. Of Units | No. Of Male Workers | No. Of Female Workers |
|-------------------------------|--------------|---------------------|-----------------------|
| Metal & metallic product      | 21           | 47                  | 31                    |
| Textile                       | 18           | 40                  | 48                    |
| Wood                          | 12           | 40                  | 24                    |
| Food products & beverages     | 20           | 82                  | 14                    |
| Non-metallic mineral products | 29           | 38                  | 0                     |

Table 3: Number of Male and Female Workers in the Sample Unit

## 5. Findings

Table 1 shows total number of units covered under each industry. Also, these units are further classified in terms of OAME, NDME and DME. In OAME, no worker is hired from outside, only family members constitutes the labor force. Number of OAMEs is more in all the five industries as compared to NDME and DME. DMEs contribute very less in total number of units. NDME and DME both hire workers and helps in job creation. But as it can be seen that majority share is of OAME so job opportunities are less in them.

Table 2 shows the total number of workers and number of machines used in each of the industry. It can be seen that all the unorganized manufacturing units are labor intensive. The proportion of capital is almost negligible. The ratio L/K represents the labor-capital ratio, which indicates that use of machine in unorganized units is very less. In case of wood industry, there is no use of machine in 12 units. In textile industry, there is usage of hand machines like sewing machine etc. But the electric machines used just counts 2 in 18 units. Number of units in non-metallic products are highest that is 29, but still only 3 machines are used in total.

Table 3 shows number of male and female workers in the sample units. Male workers are more than female in all the industries except in Textile industry. Reason being that the stitching, sewing are mostly done by females. In non-metallic mineral products industry, most of the units are OAME in which manufacturing is generally carried by two to three male persons. Number of female workers are zero. The reason for the less number of female workers given by the owners of many units is that they are considered as distraction for other male workers and also, due to security issues of females.

## 6. Conclusion

The study shows that in the sample of hundred unorganized manufacturing units, majority of them are OAME. NDME and DME constitute less proportion. All the three types of enterprises are labor intensive. The use of machines is almost negligible. Thus, it can be said that unorganized manufacturing industries has huge potential of job creation. But it can also be not ignored that major part is of OAME which do not hire workers, rather works with family labor. Number of female workers in these sample units is relatively less than male workers. It is expected that unorganized units must be having more of female workers but the actual figure is reverse of it according to this study.

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