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## Prospect for unorganised manufacturing sector in India: A comparative study with respect to China

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### Abstract

The manufacturing sector is one of the most important sectors of the Indian Economy after agriculture in the generation of employment, income and livelihood. The manufacturing is further sub-divided into organised and unorganised sector. In this paper an attempt has been made in order to analyse the present policies that has been presently running in context to unorganised manufacturing sector and its future prospects with respect to China. As we all know manufacturing sector in India is the driving force for growth, prosperity and sustainable development of the Indian Economy, therefore it is the need of the hour to pull the unorganised manufacturing sector which accounts for 80% of the total manufacturing sector including unorganised manufacturing sector but in generates only 33% of the total income generated from the manufacturing sector in India.

**Keywords:** Informal Sector, Unorganised Manufacturing Sector, Policies & Prospects.

### 1. Introduction

The term informal or unorganised are often used interchangeably. In India more than 90% of the population falls under the ambit of informal or unorganised sector. The informal sector may be broadly characterized as consisting of units engaged in the production of goods or services with the primary objective of generating employment and incomes to the persons concerned (15 ICLS, ILO, 1993). It refers to a range of informal economic activity that stands outside of the recognized systems of regulations, taxation, and licenses. Generally the number of labourers working in such units is ten or less than ten in numbers. It is basically a capital intensive establishment where the share of capital invested is very low. Indian Government has established many agencies and committees such as ICLS, NCEUS, Expert Group, SO, DES, DSO, EC, NSC, NSS, NSSO, ILO and so on in order to identify and study the population of India from every angle so that we come to know the progress as well as the lacuna arising from various sectors of the economy. It is increasingly realized that "lack of reliable statistics on the size, distribution and economic contribution of this sector has been a major constraint in providing a realistic understanding of the significance of the Indian economy, leading to its neglect in development planning." (NCEUS 2008, P.64).

The Manufacturing sector comprises of establishments engaged in the mechanical, physical, or chemical transformation of materials, substances or components into new products. The economic potential of any economy can be reflected by studying its growth rate in the manufacturing sector of that country. That is why the present Government of India is focusing on this through 'Make in India' project and policy. They are opening various training institutions, NGO's etc. in order to improve the productive skills of the unorganised manufacturing sector in India. Considerable research has been done on the issue of whether policy reforms and liberalization have led to improvement in TFPG in both organised and unorganised manufacturing sector. Currently China is considered as a Global leader in the area of manufacturing as they are able to produce quality products at a very low price. They are exporting goods to almost all the countries of the world.

### 2.1 Contribution of Unorganised Manufacturing Sector of India to GDP

In table 2.1 the average GDP in rupees as well as in per cent is given for the different periods. One can notice that the percentage share of manufacturing to India's GDP has

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increased continuously but at a very slow rate. The shares of registered and unregistered manufacturing sector were also given. Though the average GDP of registered sector increased after every five years but continuous decline has been observed in the unregistered manufacturing sector.

**Table 2.1:** Contribution of Manufacturing Sector to India’s Real GDP  
Average GDP (in Rupees Crore at 1999-2000 Constant Prices)

Period	Average GDP of Manufacturing Sector	Average GDP of Registered Manufacturing Sector	Average GDP of Unregistered Manufacturing Sector
1970-75	64405 (13.2)	33545 (6.9)	30786 (6.3)
1975-80	81744 (13.9)	42547 (7.2)	39108 (6.6)
1980-85	101412 (14.3)	55571 (7.8)	45841 (6.5)
1985-90	133812 (14.7)	79756 (8.7)	54056 (6.0)
1990-95	171233 (14.6)	109247 (9.3)	61987 (5.3)
1995-2000	248504 (15.7)	162847 (10.3)	85657 (5.4)
2000-05	316307 (15.1)	212370 (10.1)	103938 (5.0)
2001-06	338105 (15.0)	228619 (10.2)	109486 (4.9)
2002-07	367898 (15.1)	249583 (10.3)	118315 (4.9)
2008-09	(15.6)	(10.4)	(5.2)

**Note:** Figures in parentheses are % share of the respective sector in the Real GDP (1999-2000 prices), except for 2008-09. For this year, figures are based on GDP at 2004-05 constant prices.

**Source:** [http://www.mospi.nic.in/mospi\\_cso\\_rept\\_pubn.htm](http://www.mospi.nic.in/mospi_cso_rept_pubn.htm), National Accounts Statistics – Back series 1950-51 to 1999-2000 and <http://www.mospi.nic.in/mospi>

**2.2 Contribution of Employment in Unorganised Manufacturing Sector**

In table 2.2 the per cent share of Employment in the different unorganised sector of India have been given. The share of organized manufacturing sector is 87.7%. As the unorganised manufacturing sector employs major part of the total employment in manufacturing so there exists a lot of opportunity to make this sector to produce effectively in order to make India a manufacturing hub to compete globally by increasing exports.

**Table 2.2:** Share of Labour Input in unorganized Sector (%)

Tabulation category/description	2004-05
	Share of Unorganised Sector
A: Agriculture and forestry	99.9
B: Fishing	98.7
C: Mining	64.4
D: Manufacturing	87.7
E: Electricity, Gas, Water supply	12.4
F: Construction	92.4
H: Hotel & Restaurants	96.7
I: Transport, Storage & Communication	82.2

Source: National Statistical Commission, FEBRUARY 2012

**2.3 Economic Overview & Comparative advantage between India & China:** China is a closed economy which is centrally governed and controlled. India on the other hand is a mixed economy in which we find the characteristics of both capitalism and socialism. In this economy both the private and public sector functions together.

**Table 2.3**

Variables	China	India
GDP	\$13.39 trillion (2013 est.)	\$4.99 trillion (2013 est.)
GDP - composition by sector	<b>Agriculture:</b> 10% <b>industry:</b> 43.9% <b>services:</b> 46.1%	<b>Agriculture:</b> 17.4% <b>industry:</b> 25.8% <b>services:</b> 56.9%
Inflation rate (consumer prices)	2.6% (2013 est.) 2.6% (2012 est.)	9.6% (2013 est.) 9.7% (2012 est.)
Labor force - by occupation	<b>Agriculture:</b> 33.6% <b>industry:</b> 30.3% <b>services:</b> 36.1% (2012 est.)	<b>Agriculture:</b> 49% <b>industry:</b> 20% <b>services:</b> 31% (2012 est.)
Unemployment growth rate	4.1% (2013 est.) 4.1% (2012 est.)	8.8% (2013 est.) 8.5% (2012 est.)
Industrial production growth rate	7.6% (2013 est.)	0.9% (2013 est.)
Exports	\$2.21 trillion (2013 est.) \$2.049 trillion (2012 est.)	\$313.2 billion (2013) \$296.8 billion (2012 est.)
Imports	\$1.95 trillion (2013 est.) \$1.818 trillion (2012 est.)	\$467.5 billion (2013 est.) \$488.9 billion (2012 est.)

**Source:** Department of Economic and Policy Research, RBI

The various details are given below in a table 2.3 form in order to have a comparative view of both China and India. The table clearly shows that China has outperformed India in almost every field. The growth of China's trade since 1978 has been four and a half times that of world trade. Though India contributes more to GDP than China in the field of agriculture and service sector but if we look at the per cent it contributes to industry we observe that it has underperformed China. The imports of India was very high and exports was very low but if we see at the figures of China we observe that their contribution in exports is extremely high and on the other hand imports are quite low. That means China is more productive in terms of manufacturing quality goods at low price than India thereby achieving economies of scale. As far as rate of inflation of India is concern is high but at the same time China's rate is low. The number of workers employed in the manufacturing sector of India is also quite low as compared to China.

**3. Findings & Conclusions.**

1. The growth in exports of unorganised manufacturing products of India has not increased because of the poor quality of the products. The advantages that the Chinese establishment enjoys with regard to globalization are still a dream for Indian counterparts.
2. Indian unorganised manufacturing sector are not equipped with the latest technologies thereby not able to maintain quality at a global level which China enjoys.
3. There is also shortage of skilled labourers and workers in India due to lack of proper training. The government of

India must establish such machinery that will provide training on wheels for the unorganised manufacturing sector.

4. In China the workers working in unorganised manufacturing have job security which is absent in the case of Indian workers. There should be some provision regarding job security of workers. That is why the employee turnover rate in this sector is very high. In China they have their own laws and guidelines which have to be strictly followed by them.
5. Downsizing in India is practiced very freely by the owners of the unorganised manufacturing sector in order to reduce the burden on costs. Instead of focusing on developing the skills of unskilled labour, they terminate them without worrying about their livelihood.
6. The unorganised manufacturing sector in India face tough competition because of the presence of both private and public players. In China the role of private players is minimal because the Chinese Government has framed strict guidelines for those who want to set up their own establishments. In India there are no such guidelines framed by them for this sector.

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