

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS

LOK SABHA
STARRED QUESTION NO. 283
TO BE ANSWERED ON 16.12.2024

FORMAL AND INFORMAL ECONOMY DATA

*283. Dr. Thirumaavalavan Tholkappian:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has separate data for Formal and Informal economy in the country;
- (b) if so, the details of their contribution to the Indian Economy;
- (c) whether the Government has any plan to bring 100% of the economic activities under Formal Economy; and
- (d) if so, the details thereof?

ANSWER

THE MINISTER OF FINANCE
(SMT NIRMALA SITHARAMAN)

(a) to (d): A statement is laid on the Table of the House.

**STATEMENT REFERRED TO IN REPLY TO THE LOK SABHA STARRED QUESTION
NO. 283 RAISED BY DR. THIRUMAAVALAVAN THOLKAPPIYAN**

FOR 16th DECEMBER, 2024

ON

“FORMAL AND INFORMAL ECONOMY DATA”

(a) and (b): Yes sir. The periodic labour force survey (PLFS) conducted by the National Sample Survey Office (NSSO), provides information on employment in informal sector defined as unincorporated enterprises owned by households (i.e., proprietary and partnership enterprises). According to the PLFS Annual Report, 2023-24, 73.2 per cent of all workers engaged in non-agriculture sector were in the informal sector during July 2023 to June 2024.

The Annual Survey of Unincorporated Sector Enterprises (ASUSE), conducted by NSSO, is a survey of unincorporated non-agricultural establishments belonging to three sectors viz., Manufacturing, Trade and Other Services. Ownership-wise, this Survey covers unincorporated non-agricultural establishments pertaining to proprietorship, partnership (excluding limited liability partnerships), self-help groups, cooperatives, societies/trusts etc. As per this Survey results for 2022-23 (survey period: October 2022 to September 2023) there are about 6.5 crore number of establishments in the sector, employing about 11 crore workers, with an annual Gross Value Added (GVA) per establishment (for market establishments) of ₹2,38,168.

Further, the National Accounts Statistics (NAS) makes a distinction between output and value added in the public sector, private corporate sector, and household sector. The household sector in the NAS includes proprietorship and partnership enterprises not maintaining proper accounts, including agricultural operations, and non-profit institutions serving households. As per the latest data available from the NAS for the year 2022-23, the household sector accounted for 26.8 per cent of the total GVA at current prices through their non-agricultural activities. In addition, the household sector contributed to 17.4 per cent of the total GVA through agriculture and allied sectors.

(c) and (d): Several efforts are being made by the government to formalise the economic activities and employment. These include:

(i) *Registration drive for MSMEs*: On 11 January 2023, a project aimed at the formalization of informal micro-enterprises has been initiated through the Udyam Assist Platform (UAP) to facilitate the registration of informal micro-enterprises that do not possess a Permanent Account Number. A total of over 2.44 crore MSMEs have been registered on the UAP as of 11 December 2024, having an employment of 2.93 crore. Formalization entails bestowing an identity, which can be used further for availing of benefits such as of Priority Sector Lending benefits.

(ii) The tax reform in the form of the *Goods and Service Tax (GST)*, has resulted in formalization of economy and consequently information flow would eventually augment both indirect tax collections and direct tax collections. With end-to-end digitization of all processes, the GST is creating more jobs in formal sector and eliminating transactions which are not recorded earlier in the books of accounts and thus, were outside the tax net so far. GST is designed to bring about better tax compliance and transparency in tax system.

(iii) *Employees' Provident Fund Organisation (EPFO)* data covers the low-paid workers in medium and large formal sector establishments. Over the period September 2017 to August 2024, more than 7 crore members joined the EPFO fold indicating the extent of formalisation of the job market and the coverage of social security benefits to the organised sector workforce.

(iv) *Enrolment of informal sector on e-Shram*: The eShram portal (eshram.gov.in) was launched on 26 August 2021 for creation of a comprehensive National Database of Unorganised Workers (NDUW) to register and support the unorganised workers by providing them a Universal Account Number (UAN). Further, in keeping with the vision of the Budget Announcement recently on developing eShram as a One-Stop-Solution for unorganized labour to have access to various social sector schemes, Ministry of Labour and Employment launched the eShram– “One-Stop-Solution” on 21 October 2024. eShram– “One-Stop-Solution” entails integration of different Social Security/ Welfare schemes at single portal i.e., eShram. This enables unorganised workers registered on eShram to access social security schemes and see benefits availed by them so far, through eShram. So far, 12 schemes of different Central Ministries / Departments have already been integrated/ mapped with the eShram including Pradhan Mantri Suraksha Bima Yojana, Pradhan Mantri Jeevan Jyoti Bima Yojana , Ayushman Bharat - Pradhan Mantri Jan Arogya Yojana, Prime Minister Street Vendors AtmaNirbhar Nidhi, PM Awas Yojana- Urban, PM Awas Yojana- Gramin, Mahatma Gandhi National Rural Employment Guarantee Act.

As on 11 December 2024, over 30.46 crore unorganised workers have already registered on the eShram portal.