



## Management of ICT in unorganized sector with special reference to manufacturing sector in India

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### Abstract

ICTs helps in raising the process of communication and information by bringing the workers of the unorganized sector into the mainstream by proving the exact information of the ongoing market process which in return will help them in improving their market strategy and in doing so the prevailing unorganized sector will soon turn into an organized one. Around 90% of the women work in unorganized sector and indulge in various activities and with the help of ICTs they will be exposed to telecommunication services which will create market for their products and services.

This paper aims to study the impact of using ICT in Unorganized Sector with special reference to manufacturing sector. It states that Information and Communication Technology is essential for any developing economy and also has a positive result of it. The evidence shows that in comparison to other avenues of ICTs. ICTs help in enhancing the feeling of competitiveness among the small manufacturing sector which in return will help in poverty reduction.

**Keywords:** information and communication technology, unorganized sector, mobile phones

### 1. Introduction

The contribution of the unorganized sector is its relationship with the organized sector. Some economists are of the view that there exists a downward linkage between the organized and unorganized sector implying that the latter lives or die with the former (Stark, 1982). It is often considered that an exploitative relationship exists between the two sectors which is the basis of the existence of unorganized sector. This relationship enables the organized sector to procure cheap semi-finished goods and services from the unorganized sector and keep its own cost of production low. The unorganized sector provides cheap consumer products and services such as processed foods, readymade garments, handicrafts, transport, petty trading etc. to the urban population. This sector also plays an important role in recycling the waste materials and producing the goods and services which satisfy the needs of poor people having very low income. The unorganized sector faces several information and communication related problems which is both related to the demand and supply system. The demand side problems occur because the workers are unaware about the demands prevailing in the market due to lack of information process and supply related problems due to lack of proper communication technology which in return creates inadequate social and economic security for the workers of the unorganized sector. [Source: A report of National Commission for Enterprises in the Unorganized Sector (NCEUS) in Sep-2004].

### 2. Review of literature

Kumar and Palit (2007) point out that the latest export figures point unambiguously to a slowdown in India's merchandise exports. His analysis revealed strong deceleration in growth of manufacturing exports net of petroleum exports during the period 2004-07.

Mayer *et al.* (2002) noted that the rise in high-tech exports from developing countries is largely because of their increased participation in labor-intensive segments of high-tech electronics in the context of international production sharing. Despite these reservations, however, this study focuses on the structure of exports without further concerns.

Desai (2011) focuses on India's changing structure of technology intensive exports which has witnessed a rapid growth an increase in their share compared to low-tech or medium tech exports in international trade since liberalization. The structural change in exports as well as technology intensive exports is quite striking suggesting the fact that technology intensive products are drivers of export dynamism. Rao [2010] <sup>[7]</sup> states that, Mobile Services are increasing in the market every day and due to this hike, what are its Social and Economic consequences in the Rural India. He also said that the development of rural areas is limited because of the lack of information process as well as that of funds, which in return is creating a gap between the rural people and the government. And this gap can be bridged by the telecom revolution which provides services at an affordable cost and to unreachable rural people.

Desai (2011) estimated the trend of technological intensive exports which shows that between the years 2002-03 and 2007-08, the proportion of low-tech export declined from 66 to 56 percent. As against this, the share of medium and high-tech rose to 30 from 22 and from 7 to 14 percent respectively. He concluded that "India might require greater level of coordination and policy interventions to translate the technological capabilities into higher level of high-tech exports by taking advantage of expanding markets in this sector."

Ilavarasan and Levy [2010] stated that, the present usage scenario of mobile phones, PC, internet café etc. is very high

because nearly everyone who owns an enterprise regardless of gender has either of the above mentioned devices. People in rural areas who are using such devices have experience different levels of economic growth and hence it is clear that the use of ICT shows a positive impact on the rural economy. According to Meyer (2007), India's prominent position as an offshore hub for IT and IT based business services does not translate into a general specialization in sophisticated products.

Donner and Escobari [2009] stated that, after evaluating the results of 14 studies of the use of mobile phones by Micro and Small Enterprises (MSEs) the result was that it highly affects the economic growth and plays a prominent role in the complete development of any developing nation. It plays an important role in completing the information and communication procedure in an appropriate manner.

Jain stated that ICT is an important tool for gender empowerment in the developing economies and lays emphasis on "Women Empowerment". It was said that, there are several challenges that are been faced by women along with various strategies to overcome those challenges with the various means of information and communication technology.

Bhavani [2002] stated that use of advanced technology improves the competitiveness of the small manufacturing sectors in relation to both information and communication processes. He also stated that, work allotment, intercommunication with the users etc. has become smooth but still there are many sectors where the use of technology (data management, mode of information and communication) is yet not standardized.

Gillman, Pinzon and Samii [2003] stated an answer to the question, "How ICTs can help in bringing about a change in the life of the 900 million people living in rural areas" that ICT is a tool and not a solution and here development is about the information and communication process and not in the technology being used. They also said that with the help of ICT people will be able to speak for themselves and will be able to convey their problems in an efficient manner and will also be able to get solutions for it.

Viitanen [2003] stated that ICT plays an important role in various social, economic and political aspects of any society. It helps in the reconstruction of the lifestyle of people by providing easy access to information services and it also plays an important role in poverty reduction by creating various employment opportunities for rural people in various working sectors. It also helps in enhancing the activities of the poor, increasing their access to the market information and lowering the transaction cost of the traders by enhancing the communication process.

Seshagiri, Aman and Joshi [2007] did a case study of a South Indian Village where the information and communication process among the people of the village was carried out by means of postal system or face-to-face communication. It was marked that these connection gaps can be resolved by developing better technological system with the help of ICTs.

Basant, Commander, Harrison and Filho stated that adoption of ICT and its proper implementation brings about a drastic change on the performance of any country. They also stated that the estimate of return of ICT investment in any developing country is much more than that of any completely

developed country. It was also said that the problem of Power Breakdown in India seems to be significantly affecting the process of adoption and returns to ICT expenditure.

Kishore stated that ICT can act as an enabler for creating employment in India and this can be done through mobile usage by various mobile learning applications, mobile job services etc. which will help in education the poor along with an open package of job opportunities at their own place.

### **3. Research Methodology**

Descriptive Research Studies are those studies which describes the characteristics of a particular individual or group. This type of study requires clear objective of the researcher with sufficient information in order to prove the accuracy of the results. This research paper uses the medium of secondary data available for giving the conclusion and the results and that secondary data is been collected with the survey method.

### **4. Objectives of the study**

1. This study has been carried out in to know that why Information and Communication Technology is required in the Informal Sector.
2. To know the manufacturing services can be used to enhance the proper functioning of Information and Communication Technology.
3. To identify that whether these technology transfer used for making a better communication system for the rural people is actually beneficial for them or not.
4. To suggest that whether manufacturing sector is an appropriate method to be used for the implementation of better Information and Communication System.

### **5. Unorganized sector in India**

The original use of the term 'informal sector' is attributed to the economic development model put forward by W. Arthur Lewis, used to describe employment or livelihood generation primarily within the developing world. It was used to describe a type of employment that was viewed as falling outside of the modern industrial sector. A countervailing view, put forward by prominent Dutch sociologist Saskia Sassen is that the modern or new 'informal' sector is the product and driver of advanced capitalism and the site of the most entrepreneurial aspects of the urban economy, led by creative professionals such as artists, architects, designers and software developers. While this manifestation of the informal sector remains largely a feature of developed countries, increasingly systems are emerging to facilitate similarly qualified people in developing countries to participate.

### **6. Employability in Unorganized Manufacturing Sector in India**

The decade of the 1990s witnessed the process of economic reforms in India, which included a significant liberalization of both industrial activities and trade. Many expected this process of economic reforms to boost employment in the manufacturing sector, as there was increased outward orientation because the trade and the industrial sectors were deregulated (Das and Kalita, 2009).

Unorganized manufacturing sector has been providing

employment to a substantial number of people and is also contributing significantly to the national output. The unorganized sector is too important a source of employment generation to be neglected by policymakers. Since India is a low-income group, the size of sector is not a surprise (Balasubrahmanya, 2002).

### 7. Productivity in Unorganized Manufacturing Sector in India

A significant development in the Indian economy in the post 1990 period is the acceleration of the reform process that was initiated in the 1980s. The reforms were intended to improve the efficiency, productivity and international competitiveness of Indian industry. Thus the impact of economic reforms on manufacturing productivity has been a subject of research inquiry but the findings are controversial and inconclusive. Krishna and Mitra (1998), Pattanayak and Thangavelu (2003), Unel (2003) and others argued that total factor productivity (TFP) growth was positive in the post-reforms period while others showed that economic reforms have adversely affected productivity (Goldar and Kumari 2003; Balakrishnan *et al.* 2000).

### 8. India's manufacturing exports

Manufacturing exports contributes maximum share of merchandise exports of the economies globally. Similarly, the manufacturing exports are, too, a good contributor in total merchandise exports. However, as depicted in figure 5, it declined substantially over the period 2000-01 to 2007-08 from above 76 per cent to 59 per cent. Then, it went up marginally, thereafter, and was about to 61.5 per cent in 2010-11. This decline is largely attributable to the emergence of petroleum products (not covered under manufacturing) as one of the major items of merchandise exports for India in recent years. Whereas, on the contrary, the share of manufacturing in total merchandise exports is 93 per cent in India.

### 9. Information and Communication Technology

Information and Communication Technology is a specific term that emphasizes on the integration of information and telecommunications by means of various media like mobile phones, wireless signals, computers etc. Approximately 92% of the Indian population is working in unorganized sector and hence the development of unorganized sector into an organized one is essential and this can be done with the help of ICT. The main motive of ICT is to emphasize on communication for the development activities which involves the participation of people, which in return leads to sharing of knowledge etc. with the help of technology available in order to bring about a social change in the society especially for the enhancement of the unorganized sector. [According to IFAD]

A successful informal sector of sustainable ICT clusters requires that the ICT provided are the ones in demand by the entrepreneurs and that they should be located strategically, in order to generate optimal utilisation and avoid the loss of man-hours by the informal sector having to search for the services. There should also be a strategy aiming at investment in human capital, which will trigger active absorption of skills and technology. This calls for a collaboration or partnership between government and other development partners,

especially those who can facilitate training in business development and management skills, as well as the use of ICT. A special focus of this ICT strategy should be to demystify and promote diffusion of ICT as a general-purpose technology to the informal sector.

### 10. Conclusion

Information and Communication Technology can contribute to universal access to education, equity in education, the delivery of quality learning and teaching, teachers' professional development and more efficient education management, governance and administration. UNESCO takes a holistic and comprehensive approach to promoting ICT in education. Access, inclusion and quality are among the main challenges they can address. The Organization's Platform for ICT in education focuses on these issues through the joint work of three of its sectors: Communication & Information, Education and Science. Theoretically, the developing economies are generally dual in nature comprising of an emerging modern sector and giant sized traditional sector. The traditional sector, which is largely informal in character, is assumed to be transitory in nature and diminishes in its size and importance as the economy moves above the ladder of growth. After analyzing the literature available along with the secondary data, the result is that, Information and Communication Technology (ICT) is highly beneficial for the development of the unorganized sector into an organized one. Its implementation shows a positive impact on the economy of any developing nation like India by organizing the information and communication process by means of technology. It shows a positive impact on employment opportunities and will help in bringing the efforts of the workers belonging to various unorganized sectors into the real market. In today's competitive world, it is high time to recognize such sectors which have high growth potential (both in terms of output as well employment). So, present study is an attempt to analyze all these aspects of the unorganized manufacturing sector of India. This study has reached to following conclusions:

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