



LISTENING TO THE CALL OF THE INFORMAL

Context and Details:

- The key question here is: Who benefits from formalisation of informal firms?
Formalisation does reduce the last-mile costs for banks.
- The state finds it easier to monitor and to tax the firms that adopt its version of formality.
- However, the process can also produce adverse outcomes for the informal sector firms themselves
- There is a desire to connect small firms in India more firmly with global supply chains.
- Mr. Mehrotra points out that the primary motivation of multinational companies for expanding their global supply chains is to tap into lower cost sources of supply.

Government policies and informal sector

- The thrust of the Indian government's policies should not be to reduce the size of the informal sector.
- Rather, it must be to improve working conditions for the citizens who earn incomes in the sector.
- Their safety at work, their dignity, and their fair treatment by employers must be the thrust of any reform.

Ease of doing business in informal sector

- Making it easy for MNCs and large companies to invest will not increase growth of the economy if enterprises and incomes at the bottom of the pyramid do not grow.
- The voices of tiny entrepreneurs in the rural heartlands and on the fringes of Indian cities must be listened to while developing policies for 'ease of doing business'