

Informal Markets in India: Features and Reasons Why They Thrive in India

1.0 Introduction

The part of any economy that somehow escapes the government regulation and taxation is known as the informal economy. To be more precise, Informal economies are not necessarily exempted from the statutory procedures, rather these are the markets which have strategically developed ways and means to escape the regulatory frameworks imposed by the respective states. Despite the initiatives by the states, globally it is not uncommon to see sustenance and thriving of such markets. It appears that these informal markets have a tendency to exist and they continue to contribute to economies and livelihoods. There seems to be a consistent attempt by economists and state institutions to formalise these informal markets. Despite the fact that the informal sector accounts for a large portion of the economies of developing nations, it is also seen as problematic and unmanageable (ILO, 2020). Unlike the formal economy, the informal economy's operations are often excluded from a country's gross national product (GNP) or gross domestic product (GDP). The dark market (shadow economy, hidden economy), agrism, and System D are other terms that are used to describe the informal sector (ILO,2020). Informal markets are generally labelled as the places where workers are vulnerable, productivity is poor, and suffering is prevalent, but these are also sites where reform is resisted. It is unclear why formalisation of informal markets are resisted despite the alleged disadvantages.

Given this situation, globally, particularly in developed countries, informal markets are frequently found at the centre of national or international reform projects (ILO,2014). Because of their general inefficiencies and high labour vulnerability, it has been claimed that firms in the informal sector are at a disadvantage when compared to their formal equivalents (OECD, 2020). However, informal companies seldom turn into formal businesses, although there is no agreement about why they do not transform into formal economy, despite the possible benefits of increased institutionalisation. Formal companies are known to benefit from bank financing, are more profitable as a result of resource deepening and expansion, can broaden the reach of downstream markets, and can implement best business practises. Particularly where the potential gains will greatly outweigh the disadvantages, informal economies frequently have no interest in expanding out of their system. Purely if one considers the trade-off between cost and the benefit, the available literature shows that informal markets are at higher disadvantage by the virtue of the fact that they are not formalised. But it is also the empirical claim that these informal markets do not seem to show any interest in formalisation. Then it is logical to be puzzled in this situation. That is one is compelled to confront this problem; Why do certain business clusters continue to trade informally across their narrow networks? Is it the fact that as economies undergo systemic transformations as a result of exogenous shocks, certain informal practises are also left unaffected (S. A, S. Shrinivas V, 2021) or is it because these markets have the inability to accommodate the available labour force due to demographic growth and pay rate reductions (Kumar, Li, 2009)? Is it the case that informal markets thrive because of certain weaknesses in the formal institutions like for traditional corporations, high tax rates and complicated operating processes, compliance expenses, inefficiency in contract regulation, weak judiciaries, and other policy concerns are some of the causes for the informal sector's continued existence? This puzzling phenomenon of resisting the formalisation of the informal market, despite the insecurity and vulnerability it faces in the absence of formalisation, is an important point that requires serious examination. Though this project

doesn't intend to resolve such puzzles, it will make an attempt to understand informal markets in India to find out how and why such markets continues to thrive even today.

2.0 Literature review

Informal employment refers to occupations or activities that are not registered or covered by the government in the development and commercialization of legal products and services. Such informal employment emerges because these employees are employed in the markets which are called informal markets which are not within the statutory binding of the state or in the tax net. Therefore, people who are employed in such markets are claimed to be under some vulnerable insecurities as, there are no statutory mechanisms and obligations are available to enforces certain standards and deal with the conflicts. It has been pointed out that the majority of these employees are unable to take advantage of the few better jobs available in the formal sector (Shonchoy & Junankar, 2014). Others want to leave the formal structure on their own, though reasons are unclear for such decisions (Shonchoy & Junankar, 2014). For the employees in these informal markets, the benefits of being fully or partially informal outweigh the benefits of registration and enforcement; no social security contributions, no tax payments, no binding labour laws, and more flexibility for business activities (OECD, 2009). The informal economy has emerged as a result of increased competition in the formal economy, increased business opportunities, and limited resources (Gururaja, 2020). The prevalence of burdensome and expensive government regulations (Johnson, Kaufmann, McMillan & Woodruff, 2000) as well as the degree and administrative difficulty of taxation are the most significant determinants (Enste & Schneider, 2000). Workers can utilise their collective bargaining power to get better pay and working conditions (Gururaja, 2020). Those who purchase their goods pay them higher prices. Informal employees combine their limited resources in order to maximise their financial access. Informal employees are not eligible for social security insurance or the protections provided by structured employment contracts but informal labourers have access to established social safety nets (Kurien, 2010). Organizations may develop mutuality structures and support networks for their members through establishing schools, day care centres, and health centres, as well as organising aid during calamities (Kurien, 2010). Informal organisations can enhance working conditions for informal employees by promoting occupational health and safety practises (Kappel, Robert, Ishengoma & Esther, 2006).

Today, the unorganised or informal sector employs more than 90% of the country's workforce, and it generates nearly half of the country's revenue (ILO, 2020). Since the early 1990s, when liberalisation policies were implemented, the informalization of employment has been a source of concern. Women who labour in the informal sector confront various problems, including poor and variable wages, harsh working conditions, a lack of legal protection, multiple legal and physical hazards, and often low social standing (Sundar, 2019). Another threat faced by informal businesses is that they more sensitive to bureaucratic harassment and are ready to pay bigger bribes to have inspectors look the other way. Informal businesses are extremely susceptible, and once they have been "identified," they may be shut down at the whim of authorities. (Belev, 2003). Informal businesses must remain tiny to avoid being targeted by government inspectors (Bhattacharya & Kesar, 2018). Informal businesses, those operating without being registered, lack the means to implement many of the developments in the digital economy (Islam & Joelvski, 2019). Thus the question, why do informal markets resist formalizing, even when the gains of doing so outweigh its costs in the long run? The role of informal sector is significant in providing employment generation. It provides a large number

of employment generations without support of government. Because people with less education work in one or other informal enterprises. The role of government in creating employment opportunity is less. Moreover, these jobs are not formal jobs. Still the sector is able to contribute to national income. The contribution of the sector is considered when these enterprises are formalised. But in India, it is not considered. If government considers the role and its importance in generation of employment opportunity, we could see growth of national income and economy. (Gururaja & Parida, 2020) The urban informal economy is not only here to stay but is growing and provides the only livelihood option for a significant proportion of the non-agricultural work force in Asia (Kumar & Li, 2007). Will formalisation of Informal sectors solve the problems faced by the economy and the workers participating in these sectors? The quest to formalisation enterprises needs to be addressed from various different angles, viz., reducing entry and operating formal costs, increasing the incentives for MSEs to operate formally, reducing obstacles to their growth, and searching for inexpensive approaches through which to enforce compliancy with government regulations (Kappel, Robert and Ishengoma, Esther K, 2006). One thing is clear here from the available literature; on the one hand there is a tendency retain and sustain informal markets and on the other hand the economists and the state actors wants to formalise the informal markets. If what is pointed so far is true, then it becomes far more important point to realise what makes these informal markets to be so important that people intend to maintain them without bringing it under state's regulatory frame. In order to understand such issues pertaining to informal markets, let us now examine what has been said about such markets in India.

So far, as the employment in the informal markets are concerned, most of those who took up informal jobs especially street vending were illiterate and hailed from poor backgrounds (Sharma, 2018). Srinivas (2016) in his paper, "14 Reasons why the Informal Credit Market is used by the Poor: Policy Implications for Microcredit Programmes in Developing Countries" stated that the informal credit markets lend only to people they know well, or are well recommended by a prominent person. They are not motivated by profit. He also wrote that in order to set-up an informal credit operation, it is not necessary to have a license (except in the case of money lenders and pawn brokers). This ensures that procrastinated procedures and paperwork in setting up credit operations is avoided, encouraging wider participation and ease of entry. The informal milk markets functioned on verbal agreements, trust-based relationships and cash transactions (Blackmore, Guarin, Alonso & Grace, 2020). Most of these enterprises succeeded as they provided personalised services to their customers (Kandathil & Pathak, 2020). RMPs or the Rural Medical Providers, unlike other private allo-pathic providers, were deeply marked by their social relationships with the communities they are based in. Trust relationships emerged, as a function of familiarity and rapport (George & Iyer, 2013). These markets sold goods and services that were less expensive when compared to the ones provided by the formal firms (Becker, 2004). The informal water markets changed water sources due to decreased and irregular rainfall and the political help made them have control over the newly found sources until moving to a new one. They made developed in institutional arrangements and slowly evolved to stay in line with the growing economy. Thus they adapted to any kind of challenges they face (Vij, John, Barua, 2019). Moreover there are still thousands of family firms who continue informal businesses, roughly, it can be concluded that most of the informal occupations are caste bound. It is also proved that informal markets support criminality and illegality and pose a threat to the economy. From the above stated evidences, it is clear that Trust, Social Security, Social Relationship, Absence of Government, Practical Knowledge,

Adaptability, Non-profit motivated, Inexpensive, Personalised services, Illiteracy and Criminality are salient features of informal markets. These features might help informal markets thrive and contribute to generating employment. Given this set of background information, let us now examine, the nature of these informal markets and also how these selected specific markets continue to exist in India.

2.1 Informal Markets in India and the World

The informal economy refers to a wide range of economic activities, businesses, employment, and employees that aren't regulated or protected by the government. The term was first used to describe self-employment in tiny, unregistered businesses. It has been broadened to cover paid work in non-protected positions. Despite the fact that the informal sector accounts for a large share of the economies of developing nations, it is often viewed as bothersome and uncontrollable. However, the informal sector, which has been steadily developing since the 1960s, provides crucial economic prospects for the impoverished. The formalisation of the informal economy is a significant policy problem. Unlike the formal sector, the informal economy's activities are frequently excluded from a country's gross national product (GNP) or gross domestic product (GDP). However, since 1987, Italy has included estimates of informal activity in its GDP calculations, boosting its GDP by an estimated 18 percent, and in 2014, a number of European nations formally updated their GDP calculations to include prostitution and drugs sales in their official GDP numbers, in line with international accounting rules, resulting in a 3-7 percent rise in GDP. A grey market in labour might be regarded as the informal sector. Workers in the informal sector, according to development and transition theories, often earn less money, have uncertain income, and lack access to fundamental protections and services. Women have a significant part in the informal sector, which is far larger than most people believe. The informal economy is dominated by the working poor, particularly women, and most low-income households rely on it to survive.

The informal sector can generate a vicious cycle in the eyes of governments. Because the government is unable to collect taxes from the informal sector, it may be unable to provide public services, making the sector more appealing. Some governments, on the other hand, see informality as an advantage, as it allows extra labour to be absorbed while also reducing unemployment. It is vital for governments to recognise that the informal sector may provide major goods and services, provide important employment, and contribute to imports and exports.

2.2 Informal Credit Markets

Credit Markets form in practically every situation where there is considerable long-term commerce or manufacturing involving stocks and consumer credit. Those who have extra cash lend it to those who need it to keep their firm running, initially for working capital and secondly for fixed capital assets. Intermediaries emerge, developing financial tools to resolve the disparities in terms demanded by lenders and borrowers (duration of credit, kind of collateral, and so on). Following a period of time, governments seek to regulate some of these intermediaries and instruments in order to safeguard all market players and, in many cases, to divert funds in one direction or the other. In case of informal credit markets, due to strong organizational structures, personalized services, close informational links, specific borrowers etc. the repayment rates are also high. Participation in a group generates peer pressure from other members that would ensure repayment. Besides, certain groups also have a rule that only

after a previous loan was repaid, would the borrower be eligible for a fresh loan. Keeping the loan terms and conditions flexible also help in high repayment. Many money Lenders, ROSCAs, People's Organizations and pawn brokers allow the borrowers to extend repayment periods from originally decided periods by one to four weeks (Srinivas, 2016). Credit in the informal system is usually available on tap. The loans are granted mostly without collateral and lengthy documentation formalities as the lender depends mainly on the personal knowledge of, and contact with, the borrower (Srinivas, 2016).

Increases in transaction costs caused by artificially channelling funds into the formal market, for instance, may result in a net drop in available money, slowing economic activity, or repression may encourage informal markets. Most of the informal lenders charge a much higher interest on loans. Thus the cost to the borrower of the informal loans is much higher. Higher cost of borrowing means a larger part of earning of the borrowers is used to repay the loan and they have less income left for themselves. Informal lending markets of less developed states consist of fewer lenders having perfect information about borrowers. This in turn has put greater monopoly power in the hands of the moneylenders to raise interest rates. However, developed regions are characterised by the presence of more moneylenders in the market, who do not possess full information about the borrower, as the lender does not possess captured borrowers (Bhattacharjee & Rajeev, 2010) The borrower possesses the option of availing credit from multiple sources; therefore raising rates of interest by a lender may lead to default. Education among borrowers and increase in economic status are the two most important variables that lead to low interest rates in informal credit markets. Thus, richer borrowers not only have the advantage of availing loans from formal sources, but also avail informal loans on better terms and conditions.

Governments frequently strive to repress the informal market in order to increase the quantity of regulated or channelled funds; however, whether they succeed or not relies on the external forces that drive the growth of both markets and by building stronger banking system in the country, gradually the informal credit markets are being suppressed.

2.3 Informal Health Providers

RMPs (Rural Medical Providers) are being more embedded in health systems, more responsive to communities and more vulnerable to unregulated market pressures than others. Understanding the heterogeneity, nuanced motivations and the embedded social relations that mark informal providers in the health systems, markets and communities they work in, is critical for health system reforms. In India's rural areas, residents rely heavily on unlicensed biomedical professionals who lack recognised medical credentials. They outnumber official suppliers by a large margin (George & Iyer, 2013). The vast majority of India's Informal Providers (IPs) started their careers as staff of these doctors and remained in close contact with them. The majority of its IPs had completed some type of post-secondary education. They all worked in clinics and provided both Western and traditional treatment. IPs have a lengthy history of association participation. IPs' future function is a source of heated discussion in the public health field, despite the fact that their relevance has steadily been recognised. Some states' courts have ordered the government to close their clinics. In the 11th and 12th Five-Year Plans, India's Planning Commission recommended for the integration of IPs into the health system (Gautham, Shyamprasad, Singh, Zachariah, R. Singh & Bloom, 2014).

As a main point of care, referral, and guidance, RMPs are an important resource for homes. Despite the fact that they operate on the outskirts of established health systems, their training and referral networks are tightly linked to certified doctors in both the public and private sectors. RMPs describe being cautious about limiting their practise to "basic" situations, despite unregulated market forces driving them to offer allopathic therapeutic items or make round-the-clock home visits. Their social links with the communities in which they live have left an indelible impact. Because of the RMPs' fragility and lack of alternatives, trust connections grow as a result of familiarity and rapport, as well as owing to quid pro quo negotiations. For rural communities, IPs (Informal Providers) are an important source of basic health care. They labour inside well-established institutional structures that have evolved in various directions in various circumstances. IPs are not solitary "quacks" with only sporadic ties to their communities and institutions (Gautham, Shyamprasad, Singh, Zachariah, R. Singh & Bloom, 2014). It also emphasises the possibility that IPs will continue to play an important role in the future, regardless of rising wages or infrastructure development. IPs will be required to participate in strategies to significantly increase rural inhabitants' access to safe, effective, and cheap health care in India (Gautham, Shyamprasad, Singh, Zachariah, R. Singh & Bloom, 2014).

The IPs have a decent understanding of protocol-based care of fevers, diarrhoea, and respiratory diseases, but they do not always utilise this understanding and over-prescribe medicines. IPs, particularly those whose practise largely consists of delivering items or services in discrete pieces, are notorious for bad preventative medicine (e.g., drug sellers). Due to a common inability to pay for long-term health care in their community, even IPs who provide a more continuous and preventative brand of medicine (e.g., village physicians) may have a restricted practise focused on urgent crises (Gautham, Shyamprasad, Singh, Zachariah, R. Singh & Bloom, 2014).

2.4 Street Vendors

Street vendors are an important feature of global urban economies, providing quick access to a diverse range of goods and services in public locations. They sell everything from fresh produce to prepared dishes, construction supplies to clothing and crafts, consumer electronics to vehicle repairs, and haircuts. For many, street vending was inherited from parents. Most of those who enter into street vending are from poor illiterate families. There are various driving forces behind street vending as with the informal economy as a whole. One school of thought argues that many of the working poor who enter street vending do so because they can no find jobs in the formal economy. Thus vending serves as a refuge occupation, where low barriers to entry make it possible to earn a sustainable income. Another school of thought argues that people choose this occupation because it offers a more flexible or otherwise attractive employment option than other blue collar workers. Vending requires less investment, less skills.

Vending is a profitable business and contributes to the economy in a huge way besides being a form of self-employment which brings down the numbers of unemployed in the country. The price of the commodities was mostly determined by bargaining power of buyers and sellers. Perishable and eatables that if the product remains unsold they prefer to sell it at a lower price to customers than taking back home as they have to bear the storage costs which results in loss in their net profit. They even provided free-of-charge home-delivery. Consumers rely on

sensory effects of touch, feel and pick, appearance and trustworthiness of vendor in choosing products. Commercial transactions take place through social relations and networks of relations that use exchange protocols associated with social, non-commercial attachments to govern business dealings; Economic action is 'embedded' in ongoing networks of personal relationships. By providing cheaper commodities, street vendors are in effect providing subsidy to the urban poor, something that the government should have done.

Major constraints in street vending were fear of eviction by municipality officials, lack of formal license, lack of hygienic storage facilities, lack of permanent space for vending, price fluctuation of fruits and vegetables, competition from other street vendors, organized retail sector and facing the adverse weather conditions. No proper space allocation and hence conflict with the authority.

2.5 Informal Milk Markets

Dairy marketing and commerce are dominated by the informal sector. Industrial milk processing is largely underdeveloped in developing countries like India therefore informal markets play a pivotal role (Blackmore, Guarín, Alonso, Grace & Vorle, 2020). In India, mobile/street sellers dominate retailing and informal milk consumption is dominated by low-income customers. Informal milk production and trading play an important role in impoverished people's jobs and livelihoods, as well as nutrition. The popularity of informal milk markets can be attributed to a variety of causes. Informal markets often sell items at cheaper prices or in fewer quantities than formal markets, better suited to low-income consumers' purchasing power (Kumar, Joshi & Jongeneel, 2013). Informal dealers frequently give farmers better prices than the regular market. Because funds and purchasing power are limited, and many people are paid by the day, having milk — and other items — available in tiny and variable quantities is especially crucial for the poor, who may not have the storage facilities to retain larger volumes of food for any significant period of time.

The relationship between suppliers and the buyers is based on verbal agreements, trust-based relationships and cash transactions (Blackmore, Guarín, Alonso, Grace & Vorle, 2020). The people involved in supplying milk were part of the same family, unpaid labour. There existed long term relationships between the supplier and the buyer. They also provide emergency loans. The strengths of smallholder dairying are low production costs, high profit margins, low liabilities, limited liquidity risk, and relative resilience to rising feed prices (Kumar, Joshi & Jongeneel, 2013). Weaknesses include limited access to services such as health, credit and training; poor access to markets and inputs, especially feed; scarce capital; and low labour productivity. The viability and profitability of small-scale milk production depend greatly on production costs and the efficiency of the dairy chain. Organized small-scale dairy systems (i.e., with improved productivity and market access) can compete successfully with large-scale, specialized, capital intensive “high-tech” dairies.

The informal market for milk and dairy is generally characterized by the predominance of traditional processing, products and retail practices, and the limited access to infrastructure including water, electricity, sanitation, cold chain and refrigeration (Blackmore, Guarín, Alonso, Grace & Vorle, 2020). Dairy products typically escape effective health and safety regulation, and operators are not licensed and/or registered, do not pay taxes and receive little support from the public sector.

2.6 Informal Water Markets

Informal water markets are a consequence of unorganised and unplanned urbanisation in the neo-liberal policy climate; depleting groundwater levels; untreated water provided by government. Mushrooming of informal water markets may be viewed as a consequence of unorganised and unplanned urbanisation in the neo-liberal policy climate (Vij, Sumit, Anshika John & Anamika Barua, 2019). The government takes a back seat, and markets take over the water supply and demand needs. Due to lack of irrigation facility and support of the government for appropriate pricing of agriculture outputs, farmers are left with no choice but to sell their agricultural land and change their livelihoods. These markets emerge as new markets to fill the gap left by inadequacy of the state machinery, largely in urban spaces.

Maintaining personal trust with the buyer and the society that requires water is crucial for the market (K. William Easter, Mark W. Rosegrant & Ariel Dinar, 1999). They provide water security to city dwellers. Tanker businesses work round the clock, making deliveries to 15-20 houses per day. Tractors are often used to transport tankers and ease navigation on the unpaved, potholed roads of informal settlements. A typical tanker load contains approximately 4000 litres of groundwater and costs the customer around Rs 250-350 which translates to roughly Rs 60-80 per 1000 litres. This price works out to around five times the cost of BWSSB's water (Josephine Joseph, 2014). A household of five usually requires one to two tanker loads a week (Akhileshwari Reddy, 2020). Tankers also sell water by the pot to residents who are too poor to own houses with water storage facilities (K. William Easter, Mark W. Rosegrant & Ariel Dinar, 1999). The informal water market directly benefits informal water sellers, local politicians and other actors involved in the supply chain (Josephine Joseph, 2014). Foreexample, informal tanker operators and reverse-osmosis plant owners/ managers make profits by selling water to the peri-urban residents. Local governments have their share in these profits for allowing this market to operate. The suppliers do have "friends" in the administration and elected representatives who support them and whose protection and patronage they enjoy. Water tanker operators are often backed by the local corporator, the legislator, or a powerful politician. In some cases, political patronage is open. In others, patrons operate in the shadows. The mafia has strictly demarcated territories.

What is less clear is how mafia authority is enacted and maintained and, in particular, the relationship mafias share with 'the state.' Informal water markets, as they are unregulated, have led to the depletion of underground water levels (Vij, Sumit, Anshika John & Anamika Barua, 2019). Marginalised peri-urban villages are losing access to groundwater as informal water markets have improved access to water for urban residents, which has led to water insecurity in peri-urban villages.

2.7 Informal Fish Markets

The fisheries are a traditionally caste-bound occupation which requires hard skills to succeed in the industry. People involved in fishing generally belong to a particular caste like the Mogaveera for example (Thara, 2016). The middlemen sign for business in oral contracts. All of that follows is based on verbal agreements between the middlemen and the fishermen. The fishery sector of a few states in India like Kerala for example provides social security to the fishermen with various schemes and subsidies (Kurien, 20202)

The potential demand of fish in the markets changes according to the taste and needs of consumers. Therefore traders have to care for maximum production, best possible quality, packing, brand name pricing the product of their lively supply to consumers to get better result

on investment. Constant advertising has to be done for the awareness of new products so as to gain highest amount of output. This advertising is done by taking advantage of the social relationships that the participants of these markets have built. Improved road connectivity has facilitated in the growth of this industry. 80 per cent of all shrank now hold a quarter share in their boats, and that shrank have started buying boats in partnership with friends or kin, indicates a marginal redistribution of the structure of capital in the industry (Kurien, 2020). Thus fish market is important not only as a source of food but it is directly associated with the economy of country.

These markets are unregulated leading to high competition. Existence of bureaucratic barriers, weak governance causes over fishing and is an ecological threat (A. Neiland, 2004). Unending poverty in the lives of fishermen belonging to slow growing developing economies forces them to take up illegal fishing.

3.0 Problem Statement and Objectives

India is an outlier among low-middle income countries with 90% of the total workforce being informal (defined as those without social insurance) and 85% of the non-agricultural workforce being informal. Despite the fact that India has one of the world's fastest growing major economies, the informality rate has remained stagnant for decades (ILO, 2020). It appears that these informal markets in India are going to thrive despite the attempts by the state to formalise them. It is also evident that the informality is leading to emergence of new informal markets as well.

Given that the number of people entering the labour force will continue to rise over the next decade until 2030 (when it will begin to slow), the stickiness of this figure remains a significant source of concern. On one side informal markets are well known for providing cheaper and qualified goods at a cheaper price unlike the formal markets. But on the other side in formal markets, the sellers can publicly advertise their prices and locations, whereas in informal markets, sellers need to trade through bilateral bargaining so as to remain anonymous from the taxing authority. Informal markets are commonly found to provide services that the government fails to provide. This could be one reason for these markets to keep thriving. But why exactly do informal markets continue to prosper? A better understanding of the complexity of informal employment and a more nuanced approach to addressing the specific needs of informal workers are urgently needed. The informal economy does contribute to the overall economy and informality is not synonymous with illegality. Pervasive informal employment undermines, as economists claim, the ability of the state to ensure that workers have fair working conditions, including appropriate working hours and safety regulations, and that they receive adequate pay. Policy makers tend to worry more often about the persistently high levels of informal employment reduce fiscal revenues and the ability to develop social security systems based on taxes and contributions. They also imply an inadequate use of available human resources as informal jobs are believed to be associated with a loss of efficiency and productivity (ILO, 2014). Despite the fact that informal employment can be a shock-absorber in times of economic crisis, but it is also claimed that it is not a substitute for policies addressing the increased risk of poverty in the current recession (Bhattacharya & Kesar, 2018). Whatever may be the repercussions of persistence of informal markets and its alleged costs and benefits, it is definitely clear, in India, informal markets don't seem to disappear, rather they flourish. Hence, existence of flourishing informal markets India warrants our attention to understand them adequately. Therefore, this study attempts simply identify the parameters or factors that

determine the conditions under which informal markets thrive. In order to understand the factors that makes the conditions of possibility of existence of informal markets, following objectives will be studied.

- 3.1. *What are the common factors that indicates the sustenance of any informal markets in India?*
- 3.2. *Can these factors tell us anything in general as a probable trend that one can recognise to understand the nature of informal markets in India?*

To address these questions a small representative sample of informal markets will be selected from the literature and analysed.

4.0 Method, Analysis and Results

To address the aforesaid objective, a survey of literature was conducted using the Scopus, JSTOR, Google, Francis Taylor, Elsevier and we consulted some selected scholars to find the case studies of informal markets in India. After sorting the details of these content, we listed a range of variables that were crucial in making an analysis of what is considered important part of the factors that determine informal markets in India (for details refer Bibliography).

Features that determine informal markets

From this data set we could see that most of the papers pointed towards some variables which are commonly shared as the key factors in those markets. From this data set we could cull out 14 parameters as the key factors that determine the existence of informal markets in India.

Following are the shared features that one could find as the parameters that determine informal markets in India.

1. Trust (There exists no formal agreements between the customers or the producers)
2. Societal relationships (Maintaining friends with the ones at the upper hand, the customers etc. is crucial for the survival of the business)
3. Absence of Government (Informal markets establish in areas that do not receive particular services from the government)
4. Practical Knowledge (Running the firm requires traditional knowledge.)
5. Bureaucratic hassle (The informal markets choose to remain informal as they find legally registering their organisation difficult)
6. Social Security (Though the employees are not recruited through formal contracts, they are protected by the community they render their services to)
7. Adaptability (Changes in the economy does not affect informal markets instead they accordingly adapt to the changes and thus continue to thrive)
8. Criminality (The involvement of informal markets in illegal activities like selling smuggled goods, implying gundaism for repayment of loans etc.)
9. Illiteracy (People resort to taking up jobs in informal markets because of the lack of education)
10. Employment generation (Informal markets help the unemployed rely on a job irrespective of the job security)
11. Threat to the economy (Because of various reasons like tax evasion etc., informal markets do not contribute towards the wellness of the economy)

12. Personalised services (The informal economy runs on the maintaining an impersonal relationship with the customers and therefore provide personalised services to the customers)
13. Non-profit motivated (Informal markets are based on the principles of solidarity and mutuality of actions)
14. Inexpensive (consumers are sold *cheaper* and more accessible goods and services)

Once we have listed the possible variables that are speculated to be the crucial factors in determining informal markets, now the task is to construct a dataset from this literature which could be used for some analysis so as to understand the nature of informal markets.

Building dataset for the analysis

As described in the literature review, a total six different types of informal markets were chosen for the current analysis. They are Credit markets, Milk markets, Water markets, Healthcare markets, Street vending markets and Fisheries markets spanning all over the subcontinent. In the case of credit markets, out of 8 references used, 4 references supported the fact that there exists no formal agreements between the customers or the producers. The same way for other features and markets. In each of the variable's case, it was examined that whether a given variable is being pointed as the key factors in determining the very existence of informal market. Only after a substantial majority of the studies agreed and suggested these variables as crucial factors, they were included in the construction of the data set. This was how an entire data set on probable parameters that determine the existence of informal markets in India has been constructed.

	Refer red	Tr ust	Social Relatio nship	Absenc e of Govern ment	Practi cal Knowl edge	Bureau cratic hassle	Soci al Secu rity	Adapta bility	Crimin ality	Illiter acy	Empl oyment generat ion	Thre at to the econ omy	Person alised services	Non-profit motiv ated	Inexpe nsive
Credit	8	4	5	4	4	2	4	4	4	6	5	6	8	6	4
Health care	2	1	1	1	1	1	1	1	0	0	0	2	2	2	2
Street vending	12	6	8	7	6	4	7	6	2	10	12	9	10	7	12
Milk	2	1	1	1	1	1	1	1	1	1	0	0	2	2	0
Water	5	4	4	5	3	4	3	4	4	3	3	4	3	2	0
Fisher ies	8	4	4	4	7	4	3	6	4	6	8	5	3	6	3

Table 1: Table showing summary of the relationship between the variables chosen and informal markets using the available literature.

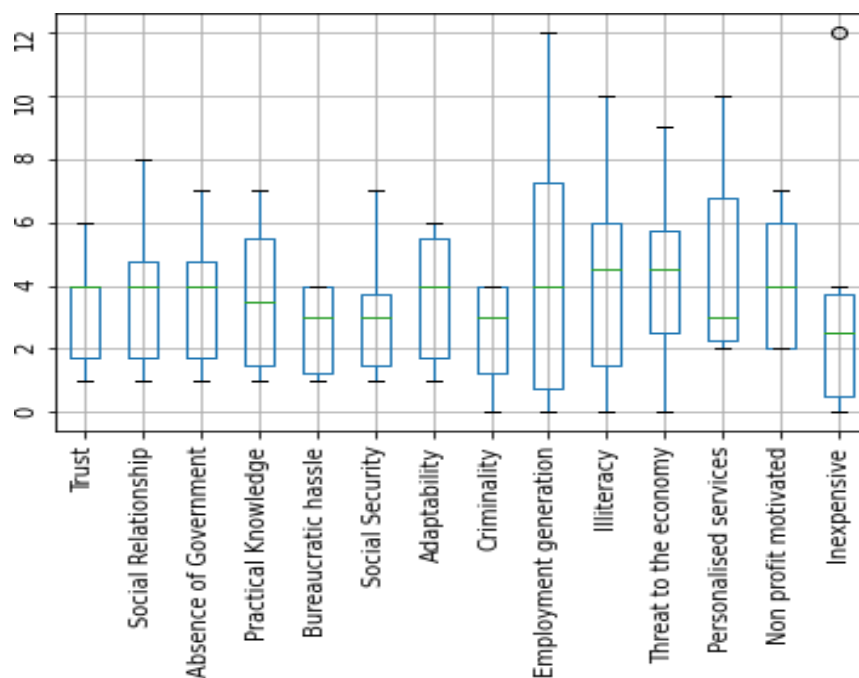


Fig 1 Box Plot: Image of box plot with all the variables

In this plot, the mean or median value of each variable is denoted by the green line. The box encloses the interquartile range. The lowest line and highest line of the box enclosed gives the Q1 and Q3 values respectively. The data studied has one outlier which lies at a large distance from the whiskers (the lines stretched out from the blue box). 10 of the 14 variables considered are skewed to the left i.e. the longer part of the box is below the green value while the other 3 are normally distributed and one is skewed to the right.

Data analysis

Employment Generation in Informal Markets is considered as a variable that can be influenced by the other 13 variables. We study how deeply each feature of informal market brings an effect on Employment Generation. Therefore, Employment generation is considered as a dependent variable and the others as independent variables, regression analysis is used to investigate how the independent variables considered i.e. Trust, Social Relationship, Absence of Government, Practical Knowledge, Bureaucratic hassle, Social Security, Adaptability, Criminality, Threat to the economy, Personalised services, Non-profit motivated, Inexpensive and Illiteracy affect the dependent variable i.e. Employment Generation.

Correlation between each of these variables and Employment generation is assessed. Criminality exhibits a weak correlation with employment generation. All the other variables exhibit high positive correlation with employment generation.

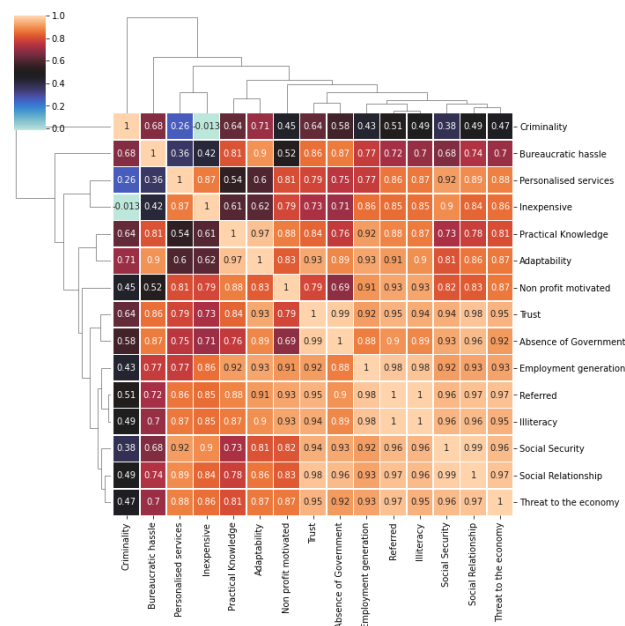


Fig 2 Heatmap depicting the correlation between the 14 variables considered in our study

In a contingency table, a chi-square test for independence analyses two variables to discover if they are connected. In a broader sense, it examines whether categorical variable distributions differ from one another in the provided degree of freedom (df). The null hypothesis (H0) can be stated as, “There is no significant relationship between the two variables. They are independent” and the alternative hypothesis (H1) would be stated as, “There is no significant relationship between the two variables. They are dependent.” All of the 13 variables has a significant relationship with employment generation and they are dependent on each other (p-value >0.05; rejecting null hypothesis)

Employment generation was considered as the dependent variable. The regression analysis centered on the data handed out a coefficient of determination of 1.0, intercept of -1.106192099724529. The slopes were 0.07655713, 0.08412995, 0.10884936, 0.40742871, 0.22389222, 0.11277116, 0.26450609, -0.11382953, 0.46317472, -0.19335399, -0.23449819, 0.16246811, 0.36802658 for the variables Trust, Social Relationship, Absence of Government, Practical Knowledge, Bureaucratic hassle, Social Security, Adaptability, Criminality, Illiteracy, Threat to the economy, Personalised services, Non-profit motivated and Inexpensive respectively. Criminality, Threat to economy and Personalised services had negative slopes which indicate negative relationship with employment generation. With criminality, threat to the economy factor and personalised services decreasing, employment increases in informal markets.

The regression plots created a regression line between 2 parameters and helped to visualize their relationships. From the above plots, one can deduce that for the plots where the points are deviating from the diagonal signifies that the data does not contribute to a normal distribution. Trust, Social Security, Social Relationship, Absence of Government, Practical Knowledge, Adaptability, Non- profit motivated, Inexpensive, Personalised services, Illiteracy are salient features of informal markets that contribute highly to the employment generation in informal

markets. From the regression plots and the correlation analysis, one can conclude that criminality is a factor with which one cannot predict the employment generation in informal markets.

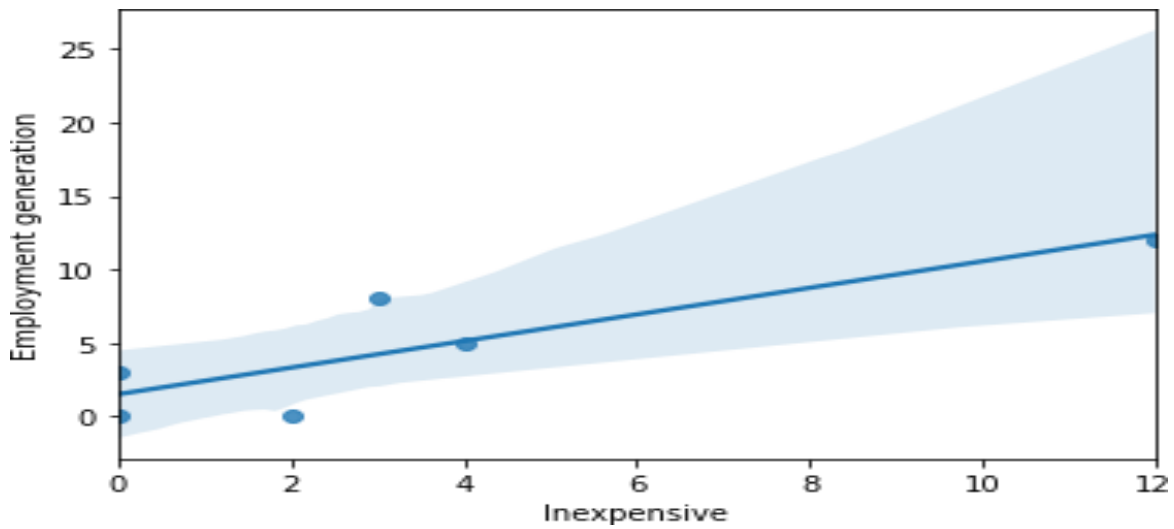


Fig 3 Regression Plot- Employment Generation and Inexpensive

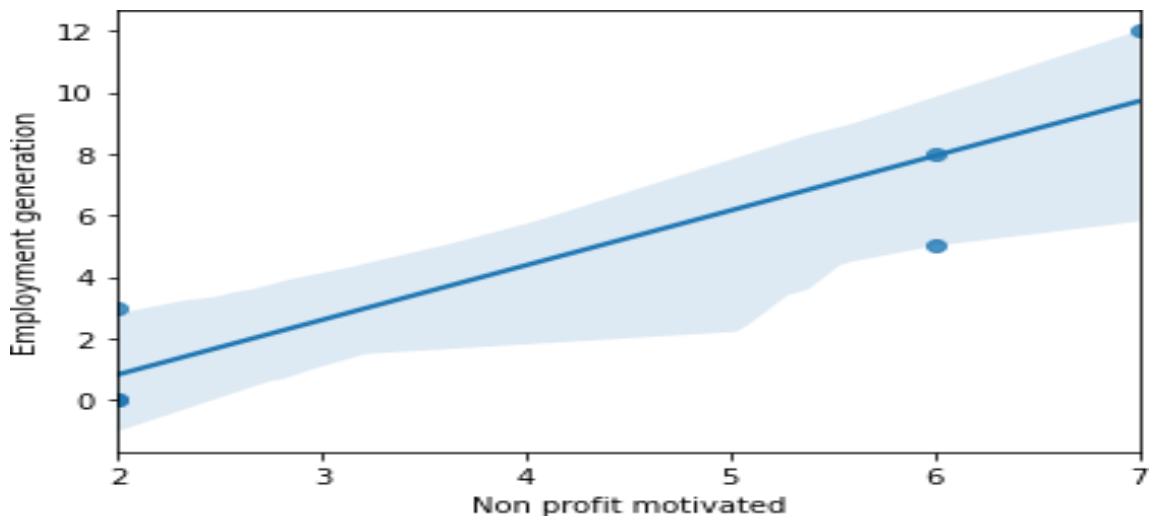


Fig 4 Regression Plot- Employment Generation and Non profit motivated

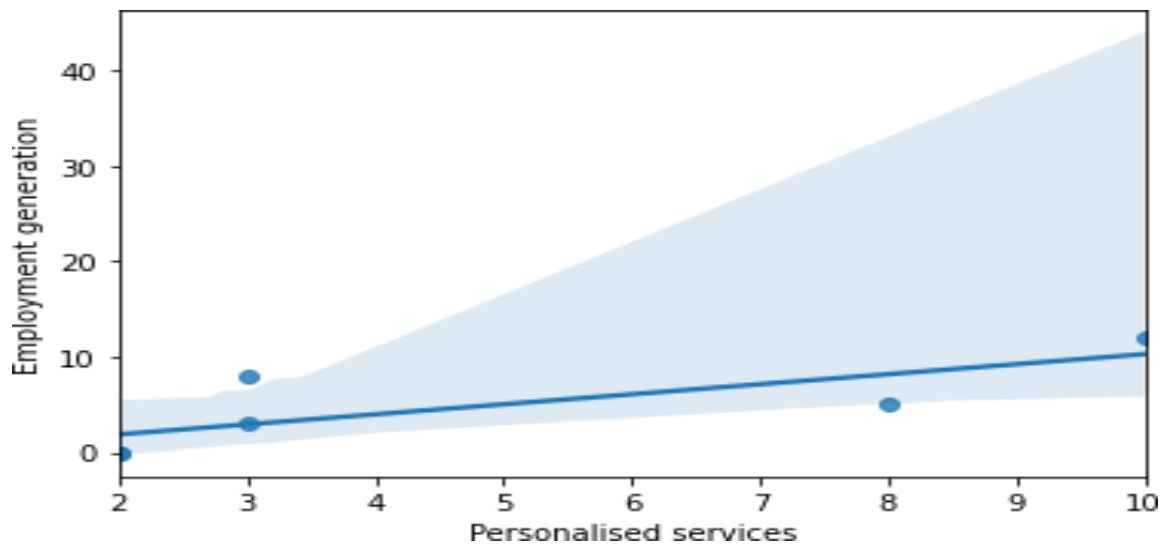


Fig 5 Regression Plot- Employment Generation and Personalised Services

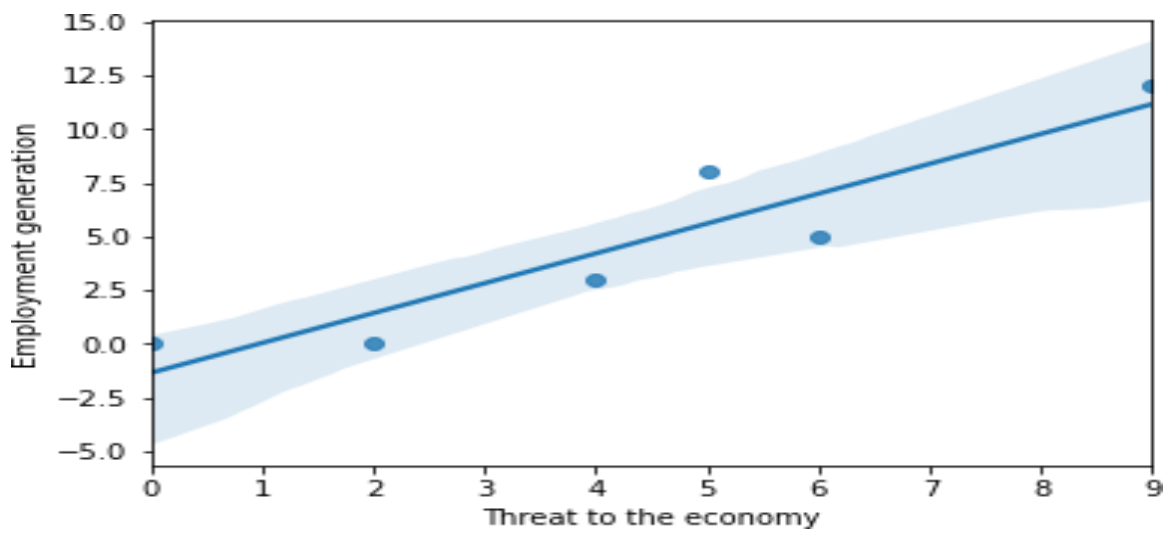


Fig 6 Regression Plot- Employment Generation and Threat to Economy

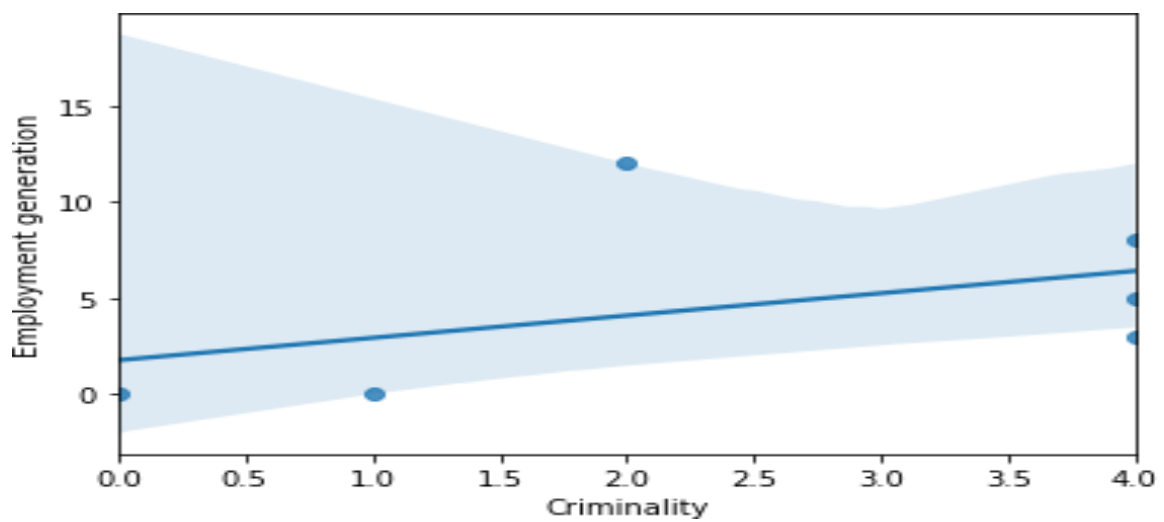


Fig 7 Regression Plot- Employment Generation and Criminality

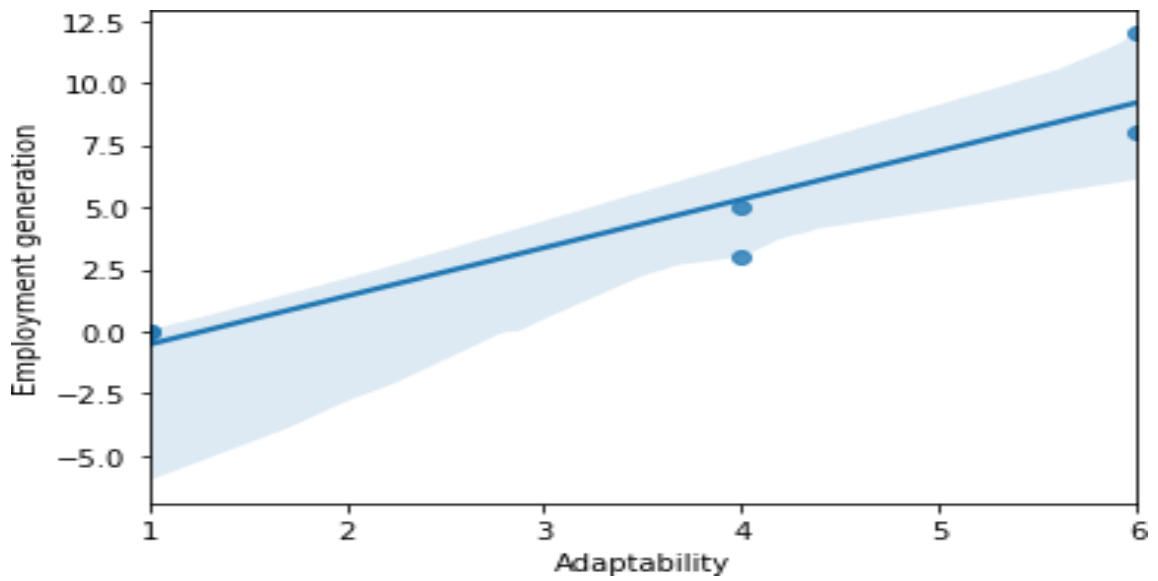


Fig 8 Regression Plot- Employment Generation and Adaptability

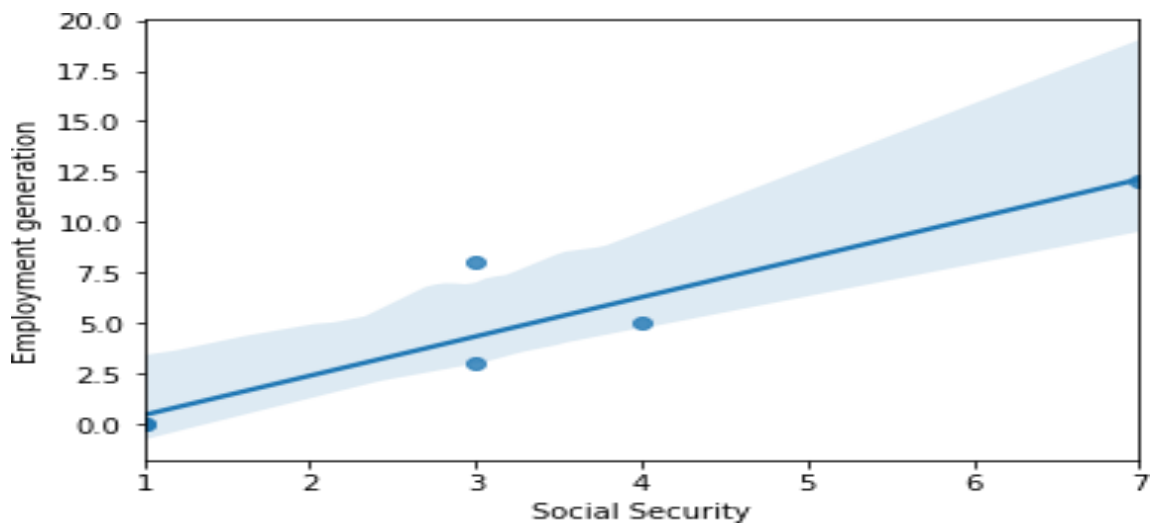


Fig 9 Regression Plot- Employment Generation and Social Security

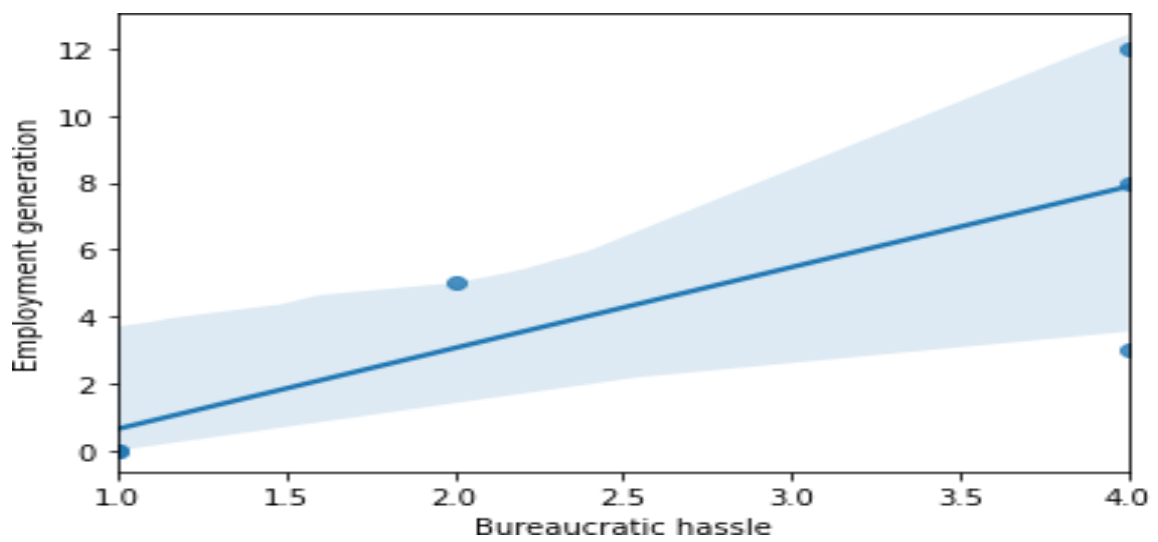


Fig 10 Regression Plot- Employment Generation and Bureaucratic Hassle

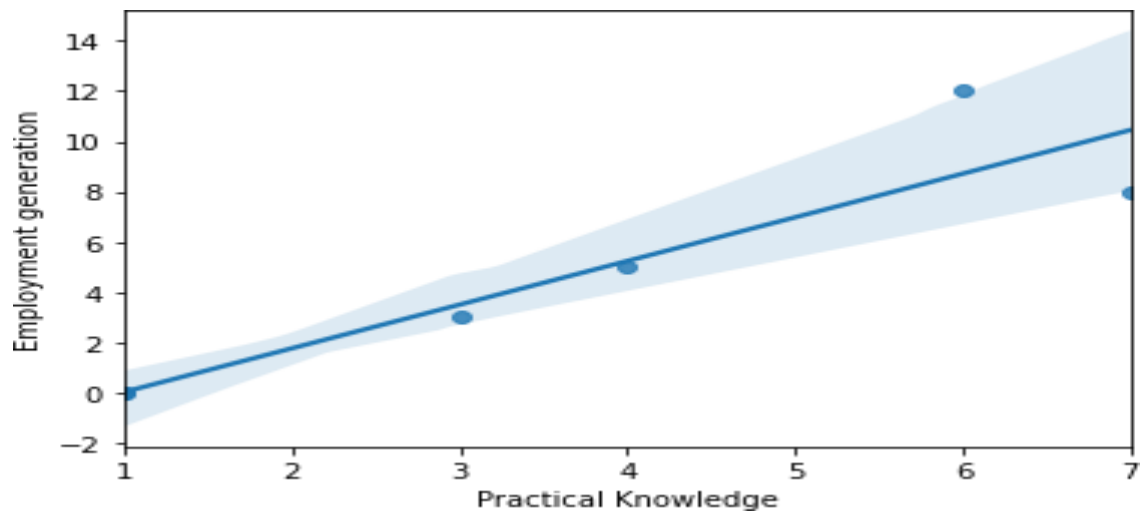


Fig 11 Regression Plot- Employment Generation and Practical Knowledge

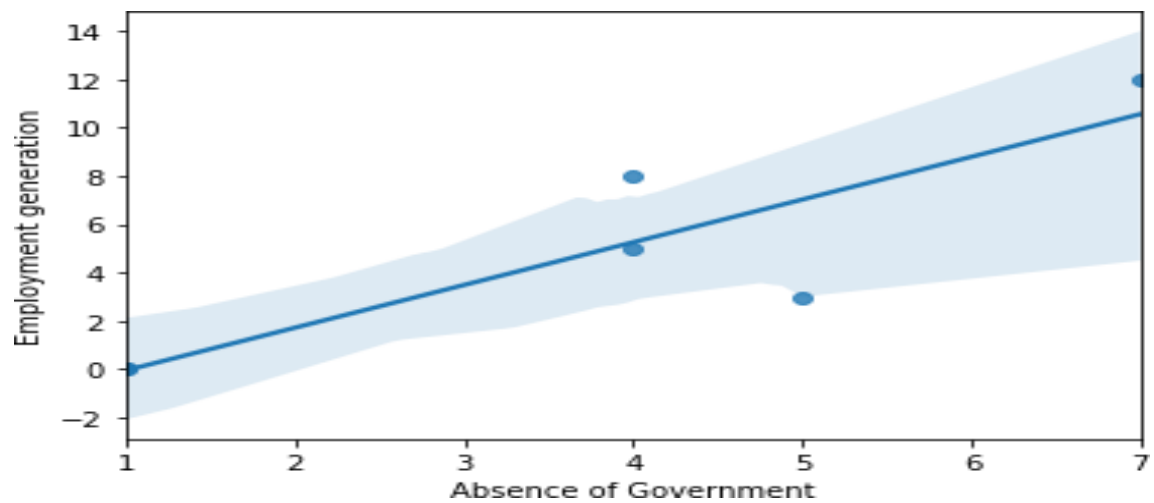


Fig 12 Regression Plot- Employment Generation and Absence of Government

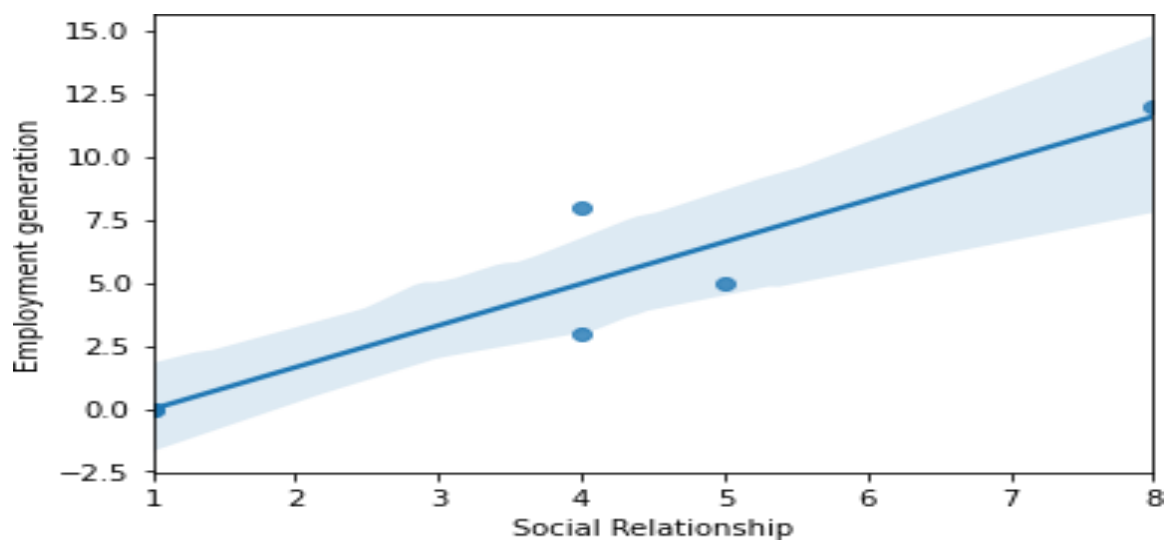


Fig 13 Regression Plot- Employment Generation and Social Relationship

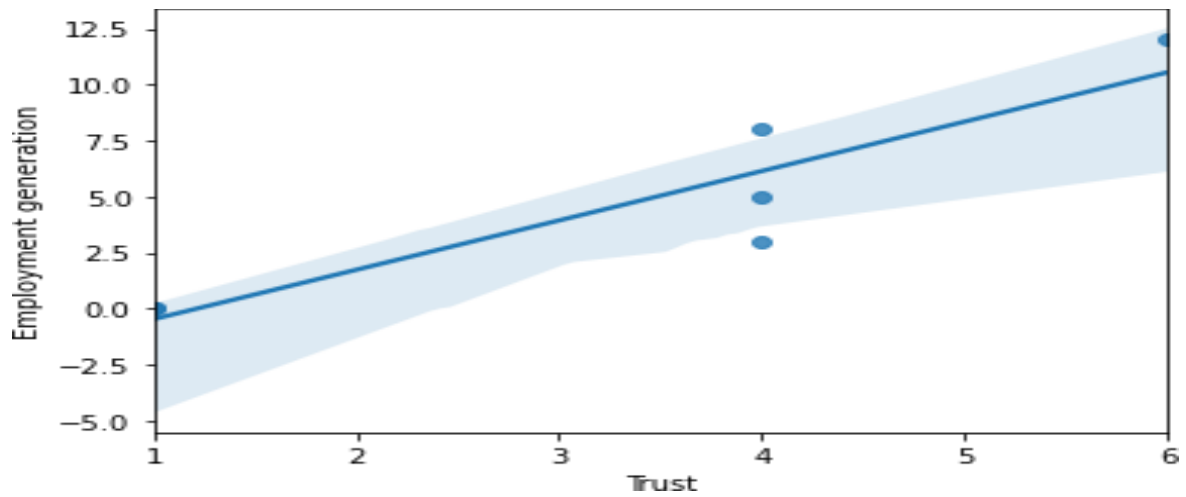


Fig 14 Regression Plot- Employment Generation and Trust

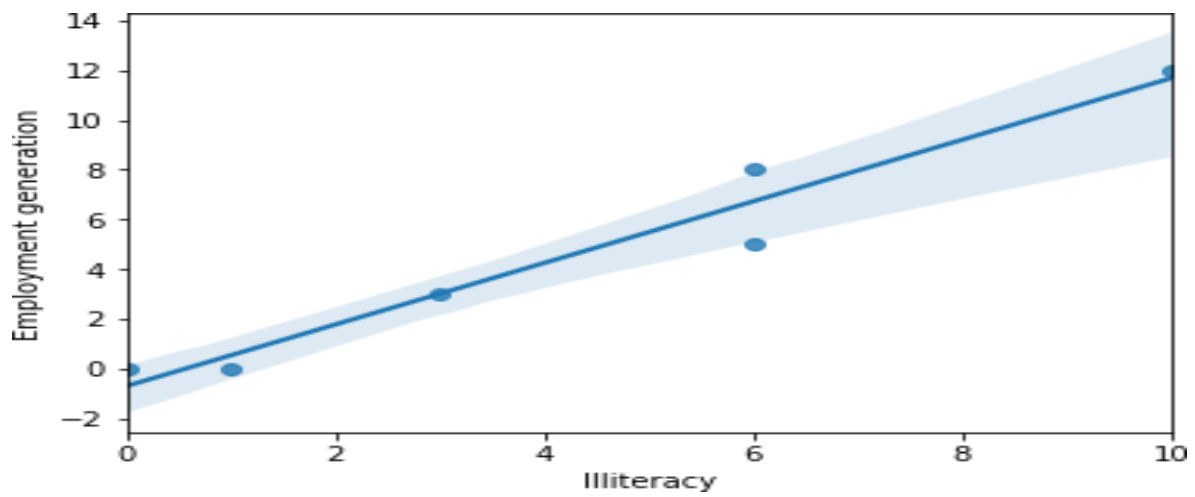


Fig 15 Regression Plot- Employment Generation and Illiteracy

5.0 Conclusion

From our study on 6 types of Informal Markets in India, we can generalise that Informal Markets in India exhibit 14 salient features. These are Trust, Social Security, Social Relationship, Absence of Government, Practical Knowledge, Adaptability, Non-profit motivated, Inexpensive, Personalised services, Illiteracy and Criminality. These features help Informal Markets attract more customers, keep the market demand high and thus aids in their survival.

Out of the 14 features, Employment Generation is a factor that is greatly influenced by the dependence of the other factors. Though Criminality cannot be considered as a factor that can contribute to assessing Employment Generation, the influence if the other variables helps the unemployed find an employment in the informal sector. For example, the presence of trust and the practice of verbal agreements between the employer and the employee which are unique features of Informal economy helps in Employment Generation in Informal sector. Criminality and Threat to the Economy are factors of Informal markets that negatively impact Employment Generation.

An analysis on the different types of Informal Markets revealed that most of those who are employed in an informal business are either illiterate or was previously employed in the formal sector. They sell inexpensive goods and services. They serve mostly out of a non-profit mindset and are known to provide personalised services. They also provide employment to many. Informal firms set up in areas that are deprived of the government's services. A steep rise in demand aids in the success of these firms. All of the informal markets make contracts upon trust. The consumers trust the suppliers' services and the supplier believes that the buyer will pay him in return for his services. The informal economy is held together by social relationships and provides social security to the participants which is seldom seen in a formal market. The providers share a common knowledge which could be inherited from parents or because they belong to a caste bound occupation hence new entries to such markets is limited. These factors that are present solely in Informal Markets help them to thrive and hold on to their businesses despite challenging changes in the economy. Informal markets continue to survive the rough transitions in the economy. The informal economy is increasing in a variety of ways, taking on new forms and appearing in new regions. All of the above features i.e. those features that are present solely in an informal market help in employment generation. These features like Trust, Social Security, Social Relationship, Absence of Government, Practical Knowledge, Adaptability, Non-profit motivated, Inexpensive, Personalised services, Illiteracy helps the unemployed to find an employment and earn a living. Informal Economy shelters the workless. Therefore with increasing population in India and an increasing unemployment, one can conclude that Informal Workforce will continue to expand. Informal employment will allow the necessary flexibility to produce innovative entrepreneurs who boost growth.

Given the current business/economic and regulatory climate in developing countries, the opportunity costs of operating informally appear to be significantly lower than the cost of operating formally. This is based on the assumption that even SMEs with a higher level of formality face the same challenges as those with a lower level of formality. For formal, medium-sized businesses, on the other hand, the cost of operating formally is extremely high. This discourages MSEs from expanding and formalising their operations. Furthermore, formal firms (especially small ones) do not have continuous access to economic infrastructure services

(such as water, electricity, sanitation, telephone services, and transportation systems), nor do they receive government investment incentives as available to large firms. High transaction costs are a result of inefficient public and financial service provision. Most transactions between legal firms are organised via informal networks due to inefficient and weak property rights enforcement, as well as corruption. SMEs and large manufacturing firms have limited access to long-term loans, regardless of their formality. According to this discussion, total formality may imply that a business must close unless the business environment in which it operates improves.

It is important to encourage the functioning of these markets as they help in reducing poverty in the country. It is important that these markets be up skilled for better productivity and efficient resource utilisation. If people choose informal employment to avoid taxes or administrative hassles, governments should strive to provide efficient formal mechanisms that encourage people to enter or re-join the formal market. Countries should strive to establish formal mechanisms that can provide the same amount of flexibility and efficiency as informal channels, if not more. Informal employees, who often have high innovation and growth potential, can contribute more effectively to a country's overall competitiveness in this way. It is important to the global economy and, if encouraged, may help to reduce poverty and inequality.

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APPENDIX

Social Relationship	Social Security	0.99168
Trust	Absence of Government	0.986025
Trust	Social Relationship	0.976206
Employment generation	Illiteracy	0.975053
Social Relationship	Threat to the economy	0.972963
Bureaucratic hassle	Inexpensive	0.416906
Social Security	Criminality	0.382277
Bureaucratic hassle	Personalised services	0.359922
Criminality	Personalised services	0.2638
Criminality	Inexpensive	0.012732

Table 3: Table depicting the Correlation between Features in Column 1 and Column 2

Trust	0.91965
Social Relationship	0.926008
Absence of Government	0.876169
Practical Knowledge	0.919921
Bureaucratic hassle	0.769487
Social Security	0.919214
Adaptability	0.928927
Criminality	0.433305
Illiteracy	0.975053
Threat to the economy	0.926538
Personalised services	0.766935
Non-profit motivated	0.906023
Inexpensive	0.855103

Table 3: Chi square values between each feature and Employment Generation

Comprehensive overview of the literature that is referred and cited in the study:

1. Y. Goyal and K. Heine, “Why do informal markets remain informal: the role of tacit knowledge in an Indian footwear cluster

About the reference: Why do informal markets resist formalizing, even when the gains of doing so outweigh its costs in the long run? While a number of responses to this question have been advanced, we discover that part of the reason could be located in the tacit knowledge (attributed to Polanyi, Hayek) embedded in the marketplace, on which market institutions run. This factor is not fully explored yet. Tacit (idiosyncratic, inarticulate, nonconscious) knowledge is acquired personally through experience and cannot be transferred or conveyed to anyone. This is the knowledge we use to act without knowing it in a propositional form. We present the case of one of India’s largest informal footwear cluster, located in the city of Agra. We show that informal markets, hinged on tacit knowledge, cannot evolve easily and therefore may remain locked-in, despite external pressures or incentives to formalize. The study shows that efforts to overcome informality and reaping the benefits of formalized market structures cannot be done without taking cognizance of the sticky intangible knowledge on which these markets rest.

2. A. Sundar, “Skills for work and the work of skills: Community, labour and technological change in India’s artisanal fisheries,” *J. S. Asian Dev.*, vol. 13, no. 3, pp. 272–292, 2018.

About the reference: Artisanal cultures of work and skills transmission provide a useful point of contrast from which to think about the renewed interest in skills development as a formal, institutionalized process of training and certification for discrete and standardized skills. This article traces the transformation of practices of skill in the context of technological change in the artisanal fisheries of Kanyakumari, Tamil Nadu, to explore a set of linked questions about skills and work: How expansively or narrowly should skills be understood? What can we learn from traditional modes of skills transmission? As technology makes redundant many of the traditional skills, are we seeing a ‘degradation’ of work? A focus on fishing, a traditionally caste-bound occupation, also opens up questions regarding the work that skills do within a political economy, both in reproducing a given social order, and in enabling change. In tracing processes of labour recruitment in the mechanized fisheries, the article offers a further reflection, about the extent to which skills matter in securing employment, given the continued importance of networks of caste, kinship and village-based community.

3. K. W. Easter, M. W. Rosegrant, and A. Dinar, “Formal and informal markets for water: Institutions, performance, and constraints,” *World Bank Res. Obs.*, vol. 14, no. 1, pp. 99–116, 1999.

About the reference: Water markets—either formal or informal—can be an efficient method for reallocating scarce water supplies. At the same time certain constraints can raise the transaction costs of trading water. This paper reviews the conditions necessary to establish successful water markets, identifies potential problems, and offers mitigating strategies. It also uses examples of several informal and formal water markets already in operation to illustrate these problems and the solutions to them.

4. D. Rajagopal, “Street markets influencing consumer behavior in urban habitat,” *SSRN Electron. J.*, 2009.

About the reference: This study explores the influence of street markets in urban geo-demographic settings and analyzes vending patterns with ethnic values enhancing the consumer satisfaction. Interrelationship among urban dwellers, marketplace ambiance, and conventional shopping wisdom of customers and interactive customer relations are also addressed in the study based on empirical survey.

Research on street markets is very limited though some studies are available on street vendors with focus on spatial planning, political interventions, and legal rights. This study on street markets contributes significantly to the existing literature in reference to shopping behavior and perceptual values of urban consumers.

5. D. Saha, "Conditions of 'decent working life' of street vendors in Mumbai," Ilo.org. [Online]. Available: <https://www.ilo.org/legacy/english/protection/travail/pdf/rdwpaper27c.pdf>. [Accessed: 15-May-2021].

About the reference: This paper intends to understand the condition of 'working life' of the street vendors in Mumbai within the framework of 'decent work' and also highlights the role of the member based organisations/unions to provide them decent working life by regulating the concept of the decent work. The study is based on 200 sample respondents. This study is explorative in nature, showing that the street vendors depend on the money lenders for their economic activity as well as for social security purposes. Interestingly, the result shows that they are forced to borrow mainly for social security purposes at exorbitant rate of interest (amounting to 5-10% per month) rather than economic activities which in turn cause to lead them to fall into a 'debttrap' situation. This study also reveals that there is an excessive hour of work (around 14-18 hours per day) for their economic activity. Moreover, there is no safety and security at the work place. In addition, these retailers face constant harassment from local authority such as local police and Municipal Corporation. This study shows that there are different stakeholders such as trade unions or member based associations who are trying to organize them by providing social security and credit and others but the problem is they are very few. Hence, it can be concluded by saying that there is a 'decent work deficit' in the 'working life' of 'street vendors' in Mumbai.