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## A Study Of Informal Sector Workers In Maharashtra

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**Abstract:** India is expected to overtake China as the world's most populous country between 2023 and 2050. India has seen tremendous urban progress since liberalization in 1991. As a result, more and more people migrated to cities in search of jobs and income. This led to a shift from agriculture and manufacturing to the service sector. This shift has resulted in a decline in formal employment opportunities, pushing more people into the informal sector. People with lesser qualification find more opportunities in the informal sector. This lowers poverty though it is low paying and workers may face exclusion and marginalization. People in the informal sector are vulnerable due to lack of formal systems / bureaucratic systems. This was visible during the pandemic when many employers and employees in the informal sector were suddenly without any source of income or protection. Since it is unorganized tax evasion, is a challenge faced by the Indian government. So the objective of the study was to understand the income earning patterns in the informal sector, the level of education of people in the informal sector as also gender dynamics of the informal sector. A sample of 259 informal sector entrepreneurs were interviewed and the random sampling method was utilized for selecting the sample. It was observed that a huge gender gap was prevailing in the sector along with a large number of educated citizens being a part of this ecosystem. The data showed that the number of people employed in businesses like street food, groceries and agriculture are among the highest. But the income earned through street food business and agriculture is among the lowest. Many businesses in the informal sector have also started using UPI enabled digital transactions, which leave a traceable electronic trail which makes it more difficult for informal businesses to hide their income and evade taxes, as transactions are recorded and can be monitored by tax authorities. Still there is enormous scope to study the challenges faced by people in the informal sector and how they can be initiated into the formal sector thereby helping to establish the economic balance in the country.

**Keywords – Informal Sector, Unorganized Sector, Tax Evasion, Covid-19**

### 1. Introduction

The area of economy that is formally acknowledged, governed, and overseen by the government is known as the formal sector. It includes companies, groups and employees who work within the law and regulations. In the formal sector, firms abide by tax and labour rules, and employees often receive regular pay, benefits and legal protection. The formal sector is essential for economic growth and stability since it generates revenue for the government and guarantees work.

On the other hand, we have the informal sector which is also referred to as the unorganised sector. The people working in this sector are called unorganised workers. According to the Ministry of Labour and Employment, Government of India (GoI) the term unorganized worker has been defined under the Unorganized Workers' Social Security Act, 2008, as a home based worker, self-employed worker or a wage worker in the unorganized sector and includes a worker in the organized sector who is not covered by any of the Acts mentioned in Schedule-II of the Act i.e.

Employee's Compensation Act, 1923 (3 of 1923)

Industrial Disputes Act, 1947 (14 of 1947)

Employees' State Insurance Act, 1948 (34 of 1948)

Employees Provident Funds and Miscellaneous Provision Act, 1952 (19 of 1952)

Maternity Benefit Act, 1961 (53 of 1961)

Payment of Gratuity Act, 1972 (39 of 1972).

The informal sector includes small scale businesses, casual labours, self-employed entrepreneurs, vendors, hawkers and industry workers. This is a sector which is not affiliated with the government. It has unclear and inconsistent work conditions. Due to lack of affiliation or certification requirements, entry into such a sector is relatively easier. The informal sector works outside the official, regulated and monitored channels of the government and includes[1] unregulated or illegal economic operations that frequently break labour and tax rules.

According to Policy Brief No. 153 from the United Nations Department of Economic and Social Affairs (UN DESA), titled “India overtakes China as the world’s most populous country”, between 2023 and 2050 ([India to overtake China as world’s most populous country in April 2023, United Nations projects | United Nations](#)) India is expected to overtake China in terms of total population. India has seen tremendous urban progress. It is estimated that by 2030, more than 400 million people will be living in cities in India. ([Poverty and Urbanisation | United Nations in India](#)). The liberalization of the Indian economy in the 1990s led to a shift from agriculture and manufacturing to the service sector. This shift has resulted in a decline in formal employment opportunities, pushing more people into the informal sector. ([How do you view the growth of informal sector in India ? - Sociology OWL \(upscsociology.in\)](#)) India is a developing economy, over 45 per cent of whose labour force was in agriculture and around 8 per cent in what one would call “decent employment” in 2012. While its growth experience in the past two decades makes it an emerging economy, the dual economy framework is also relevant. The mechanism of labour transfer from the traditional to modern parts of the economy is key to structural transformation in such economies. When economies become richer and shed their dominant dualistic character of resembling advanced economies in some parts and traditional economies in some parts, cross-sectoral labour transfers still take place, but this is linked exclusively to productivity growth without connotations of overcoming dualism. The framework that is still relevant in this more advanced context is due to the rich having a higher marginal propensity to save than the poor so that a higher degree of initial income inequality tends to result in higher savings and investment, hence higher growth (Kaldor, 1967, 1968; Thirwall, 1986).

The Ministry of Labour and Employment, GOI launched an e-Shram portal on 26<sup>th</sup> August 2021 which is a National Database of Unorganized Workers (NDUW) aged between 16-59. Over 94% of the 28.96 crore informal sector workers registered on the e-Shram portal have a monthly income of Rs 10,000 or below[2].

The informal sector is also vulnerable to the effects of pandemics like the COVID-19 pandemic. (Business Standard, 2024). Due to crowded working environments and inadequate access to healthcare, employees in the sector frequently experience higher health risks. According to *Xavier Estupinan and Mohit Sharma*[3] the estimate of the 104 million and 69.4 million informally employed workers were at risk of job loss in lockdown 1.0 and lockdown 2.0 respectively. Informal workers lost more wages at

22.6 percent as opposed to formal workers at 3.6 percent. Workers informally employed in the unorganized sector suffered a wage loss, amounting Rs. 635.53 billion. The effect of the lockdown was seen more on women working in informal sectors.

Tax evasion in the informal sector is another challenge faced by the Indian government. The number of educated people in the informal sector is increasing. This indicates lack of jobs, even less income in some jobs of the formal sector, and even skill underutilization in the formal sector. This can also lead to imbalance in both sectors, which finally will lead to unemployment or less income to uneducated people working in the informal sector.

So, there is a need for discussions on Women in the Informal sector, impact of education on the informal sector, Tax Evasions in the informal sector, as this will help us acquire more knowledge about economic conditions, unemployment, and gender inequality in the country.

### **Factors contributing to the growth of the informal sector:**

- a) **Population growth:** India's population has been growing rapidly, leading to an increase in the labor force. The formal sector has not been able to absorb this growing labor force, resulting in a large number of people seeking employment in the informal sector.
- b) **Urbanization:** Rapid urbanization has led to the growth of informal settlements and slums in cities. People living in these areas often find it difficult to access formal employment opportunities and are forced to work in the informal sector.
- c) **Structural changes in the economy:** The liberalization of the Indian economy in the 1990s led to a shift from agriculture and manufacturing to the service sector. This shift has resulted in a decline in formal employment opportunities, pushing more people into the informal sector.
- d) **Lack of education and skills:** A significant proportion of the Indian population lacks access to quality education and skill development opportunities. This makes it difficult for them to find formal employment, leading to an increase in the informal sector.

### **Impact on society:**

- a) **Employment generation:** The informal sector has been successful in providing employment opportunities to a large number of people, especially those who are unable to find work in the formal sector.
- b) **Poverty alleviation:** Informal sector jobs, although often low-paying and lacking in benefits, have helped many people escape extreme poverty and improve their living conditions.
- c) **Social exclusion:** Workers in the informal sector often face social exclusion and discrimination, as they are not considered part of the formal economy. This can lead to feelings of marginalization and alienation.
- d) **Gender disparities:** Women are disproportionately represented in the informal sector, often working in low-paying and precarious jobs. This perpetuates gender inequalities and limits women's access to resources and opportunities.

## **2. Objectives**

- a) **Gender Dynamics:** To study gender-specific aspects of the informal economy, address issues, and promote gender equality.
- b) **Effects of Covid-19 on informal sector:** To study the impact of the Covid-19 pandemic on informal sector.
- c) **Financial position in informal sector:** To investigate the income of the population in the informal sector.
- d) **Level of Education in Informal Sector:** To study the education levels and engagement in

Informal sector.

### 3. Literature Review

In a research article, a literature review provides an overview of existing studies and research on the issue. It aids researchers in building on existing knowledge and situating their own study within the larger academic environment by establishing the context, identifying gaps, and highlighting crucial discoveries. The literature review conducted gave the following insights.

#### ***Arup Mitra in 2014 studied the urban informal sector in India.***

This paper was about the urban informal sector in India. According to this paper, the urban informal sector plays a crucial role in providing sources of livelihood particularly to rural migrants and several low income households residing in urban slums. The informal sector accounts for a sizable percentage of the total workforce in the country. India is probably unique in the world in the size and significance of her informal economy. While the concept has been much criticized by academics, 'informality' refers to the vital reality of unregistered activity that is not regulated either by the state or necessarily according to its law. The informal sector is usually defined in terms of low productivity activities, small size of operation and poor level of technology. This is manifested in terms of a low capital-labour ratio and unprotected product markets. The informal sector is commonly thought of as a site of low-skilled or unskilled work. The National Commission on Enterprises in the Unorganised Sector (NCEUS), India, took the position that the vast majority of the informal workforce is unskilled.

#### ***A Composite Coincident Index for Unorganised Sector Activity in India by Chaitali Bhowmick, Sapna Goel, Satadru Das and Gautam***

Nearly half of the measured economic activity in India takes place in the unorganised or informal sector. This article aims to bridge the existing information gap on the unorganised sector by constructing a composite coincidence index for the unorganized sector (UNCCI) starting from April 2012 and latest updated till October 2022. Information pertaining to half to the overall economy remains untracked due to non-availability of robust data. The unorganised activity is largely concentrated in the sectors of agriculture, forestry and fishing; construction; trade, repair, hotels and restaurants; and real estate, ownership of dwellings and professional services. In the Indian context, the National Statistical Commission estimated the size of the informal economy to be 52 percent of the total for 2017-18 (Murthy, 2019). The World Bank (2021), using model based approaches, estimated India's informal output to be in the range of 16 to 19 percent of GDP for 2018-19.

#### ***Bishwanth Goldar and Suresh Chand Aggarwal conducted the study on impact of Covid-19 on the informal sector of India.***

According to this paper, in India, the Government took its first measure to contain the spread of COVID-19, on 24th March 2020. A nationwide lockdown for 21 days was imposed, putting 1.3 billion people under one of the most stringent preventive and containment measures in the world. India registered the highest level concerning containment and closure policies against the COVID-19 pandemic. A higher proportion of formally employed workers in organized sector (FOS) were allowed to work from home (44.5 per cent) in comparison to 21.7 percent informally employed workers in organized sector (IOS). The latter were more likely to lose their jobs in the COVID scenario. Estupiñan and Sharma (2020) found that in India, formal workers' wages were cut by 3.6 percent, while informal workers experienced a much sharper fall in wages by 22.6 percent for the forty-day period of Lockdown 1.0 and Lockdown 2.0. The wage loss of formal workers was 53.26 billion and for informal workers was 811.22 billion. In numeric terms, informal workers suffered more losses than formal workers i.e.

22.62 per cent of the wages were lost for Informal workers in comparison to 3.66 per cent of the wages were lost for the Formal workers. The total wage loss was 1.4 times the annual union MGNREGA budget.

**Chakraborty, S., 2020. COVID-19 and women informal sector workers in India. *Economic & Political Weekly*, 55(35), p.17.**

This paper captured the gendered experiences of informal workers during the lockdown period. It was found that the unequal gendered division of domestic chores existed even before the onset of the pandemic, but the COVID-19 induced lockdowns had further worsened the situation. Women were likely to bear the brunt of job losses the most because much of their work was invisible, and they were more likely to work in informal work arrangements. India has recorded one of the most unequal gender divisions of household work. Along with the gross imbalances in gender distribution of unpaid care work, the COVID-19 pandemic could worsen the situation by increasing women's burden of domestic chores, unduly cuts and lay-offs in employment. India has recorded one of the lowest women workforce participation rates (WPRs) in the world. In India, because of women's unacknowledged and unpaid contribution towards many economic activities and also due to social reproduction, men have a hidden advantage in the labour market as they do not have to share the burden of domestic chores. Around 83% of women respondents witnessed a severe income drop.

**Ameyaw, B., Addai, B., Ashalley, E. and Quaye, I., 2015. The effects of personal income tax evasion on socio-economic development in Ghana: A case study of the informal sector. *British Journal of Economics, Management & Trade*, 10(4), pp.1-14**

This paper is about income tax evasion by the informal sector and its effects on socio-economic development in Ghana. Revenues generated from taxes constitute a major source of income for governments. However, the epic display of tax evasion by individuals and firms in most countries has induced research on the factors accounting for tax evasion in developing countries. Evasion of taxes from the informal sector is a challenge in Tema Metropolitan Assembly which is used as a case study for this research and Ghana as a whole. Moreover, many citizens in the informal sector engage in the underground economy. The activities of the underground economy may lessen government revenue which in turn calls for the imposition of more or high taxes by the government. The Tax system is a key challenge for evasion of taxes. The inaccuracy of our tax systems increase the rates at which taxes are evaded. Most people from the informal sector do not file the actual returns of their businesses whereas others do not file their returns at all. Such non-filing and part-filing of returns automatically leads to tax evasion. People from the informal sector are more sensitive to penalties.

**Saidu, S. and Dauda, U., 2014. Tax evasion and governance challenges in the Nigerian informal sector. *Journal of Finance and Economics*, 2(5), pp.156-161.**

This paper is about Tax evasion in the Nigerian informal sector. Tax evasion has been an issue of concern in the Nigerian tax system for decades. Tax evading attitude is argued to have an adverse effect on the government's socio-economic and political programs. This study therefore assessed the operation of the informal sector in Bauchi State of Nigeria, where tax evasion is assumed to be a normal practice due to the high level of informalities in the conduct of businesses within the sector. Tax evasion is argued to be the most challenging practice in developing countries such as

Nigeria. Activities of the informal sector in Nigeria are difficult to measure. This is because they are highly dynamic but contribute substantially to the general growth of the economy. The Nigerian government has attempted severally to positively impact the operation of the informal sector like family economic advancement programme (FEAP) in 1997 whose objective was to serve as a catalyst to stimulate and encourage the growth of informal sector, capacity building and credit support through

people bank. Now, what's left for the government is how to convince people in the informal sector to respect rule of law and pay their tax obligations.

**Sharma, A.N., 2022. *Youth employment and unemployment in India: Issues and challenges. The Indian Journal of Labour Economics, 65(2), pp.237-267.***

This paper is about youth employment and unemployment in India. The issue of youth employment is a global challenge. In India it has emerged increasingly as a daunting challenge over the years. The youth unemployment rate among the educated in India is around 25%, which is significantly higher than that in most developed and developing countries, with a few exceptions like Spain and South Africa. The joblessness among the youth increased more than twice from 7.6% in 2011–12 to 16.6% in 2019–20. It is important to note that the phenomenon of joblessness among the educated youth is increasingly becoming more acute as the level of unemployment among youth rises with an increase in educational levels. The unemployment rate among graduates (35.7%) is almost six times higher than that among illiterates (5.5%) and is even higher in the case of technical graduates (39.1%). The unemployment rate is considerably higher among females compared to males. Around four in ten graduates are looking for a suitable job in the labour market, which does not mean that those graduates who are employed might be doing what they like or getting paid what they desire. Even 80% of the employed educated youth are in informal employment.

**Kede Ndouna, F. and Zogning, F., 2022. *Financial inclusion and gender income inequalities in informal entrepreneurship: The case of Cameroon. The Journal of Entrepreneurial Finance, 24(3), pp.33-47.***

The purpose of this study was to analyze the effect of access to different financial products in reducing income inequalities between men and women working in the informal sector in Cameroon. Empirical results suggest that indeed, income inequality between the sexes continues to increase in Cameroon, regardless of the indicator used to measure it. In particular, women working in the informal sector use services such as bank accounts and credit cards more than men, but women also use non-formal financial services. Among the inclusion factors of the actors involved, obtaining credit to start a business is a key element for an individual working in the informal sector, yet there are significant gaps in accessing credit between men and women in informal activities and gender inequalities explain 13.96% of this gap. This means that when it comes to accessing credit, men are more financially included than women. In general, women earn less income from their work than men (Chen, et al., 2006; Chant, 2011; ILO, 2018). One of the reasons for women's poor performance is the trade-offs between their participation in the labour market and their domestic work (Chant, 2008; Amin, 2010; Yelwa et al., 2015). The other cause and not the least important is the difficulty in accessing funding, which is considered one of the most important factors in the economic environment that limit their growth (Cull et al., 2014).

**Mulibana, L. and Rena, R., 2021. *Understanding the Contemporary Innovation Orientation of Informal Micro-Enterprises. International Journal of Innovation, Creativity and Change, 15(5), pp.940-960.***

This study is sought to determine the contemporary innovation orientation of informal enterprises. Innovation, which is the act of introducing new or improved products, services, marketing strategies, and so forth in the market and within the firm, has been recognized as a vehicle that increases small firms' probabilities to survive. The results revealed that curiosity drives innovation among informal microenterprises, whereas customers' lack of disposable income limits innovation activities. Moreover, there is more innovation fostering than limiting factors among informal micro-enterprises. This study

focused on micro-enterprises that operate in the informal sector of the Gauteng Province, South Africa. Links, Hart and Jacobs (2014) assert that the informal sector is a dwelling to approximately half of the global population. Similarly, Mendi and Mudida (2018) explained that a noticeable characteristic of most developing countries, including South Africa, Kenya, Ghana, Nigeria, and so forth is the existence of a huge informal sector. Informal micro-enterprises substantially contribute to economic growth, job creation, and poverty alleviation. Without the informal sector, the unemployment rate in South Africa would rise to shocking levels (De Beer and Armstrong, 2015).

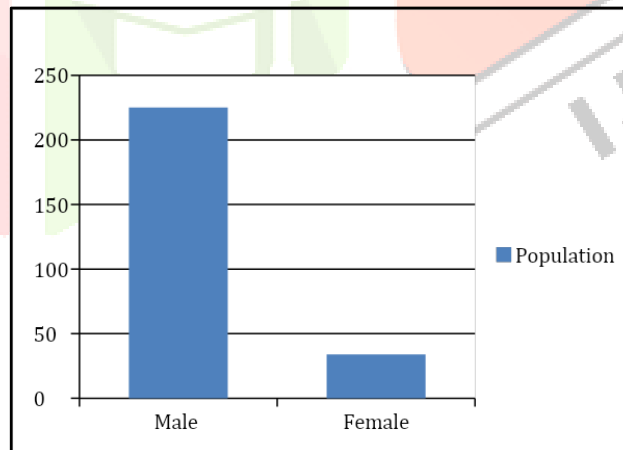
#### 4. Methodology

This study is based on data collected through the survey method from respondents from the state of Maharashtra. The sample size was 259 vendors from the informal sector and they were selected using a random sampling method. The survey questionnaire was designed with 31 questions covering location, type of business, nature of the business, gender of owner, seasonality of business, nature of expenses and income levels, credit period offered and received, loan availed, education details etc. This data was then analysed to ascertain whether there existed a relation between

- a) Education and Gender of the vendor
- b) Education and Income of the vendor
- c) Type of Business and Income
- d) Business Type and Gender

#### 5. Data Analysis

##### a) Gender Based Study:



**Fig 1.1**

The data presented in Figure 1.1 indicates a substantial gender disparity within the informal sector, with 225 males and just 34 females among 259 respondents. This imbalance likely stems from societal and cultural norms shaping labor engagement in India, influenced by factors like social expectations, educational opportunities, resource accessibility, and entrenched gender roles.

## b) Educational Qualification:

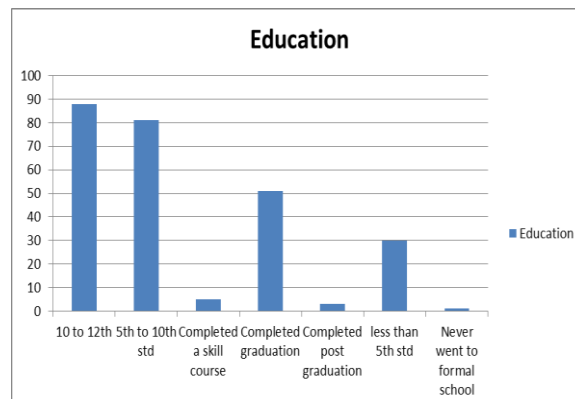


fig 1.2

The data in Figure 1.2 illustrates that approximately 12% of the respondents in the survey either never attended school or completed only up to the lower primary level, which typically includes education up to class 5th. This indicates that a significant majority of the respondents have received education beyond the primary level. So it is obvious that a large number of educated citizens are also forming an important part of the informal sector and are not necessarily dependent on the formal sector.

## c) Comparison between the level of education and gender:

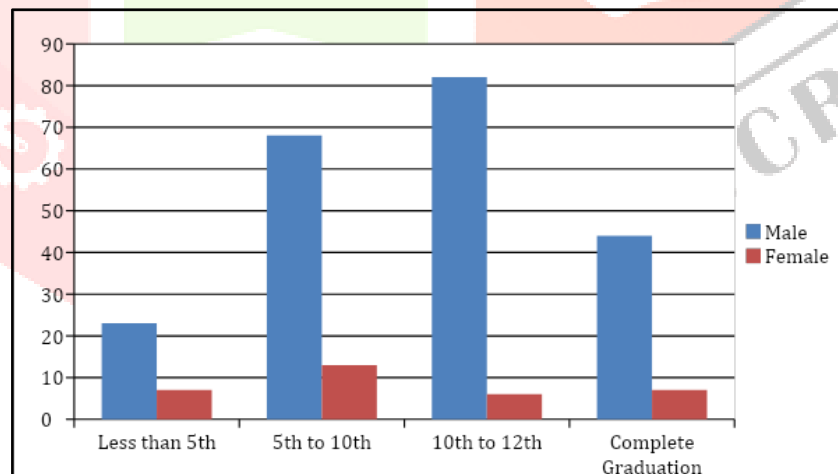


fig 1.3

In the informal sector, women show a comparatively weaker educational attainment, with 41% of them having surpassed the basic education level, including completion of class 10th, 12th, or even graduation. This contrasts with men in the same sector, where 60% have achieved similar educational qualifications.

According to a survey, most of the women have studied from 5<sup>th</sup>-10<sup>th</sup> only, on the other hand men have mostly acquired education from 10<sup>th</sup>-12<sup>th</sup>. Relative to the women, there are many men who have even completed their graduation. Even the COVID-19 pandemic has had a disproportionate impact on



women working in the informal sector. With the closure of schools, the caregiving responsibilities also increased, making it difficult for women to run their business. Due to loss of income and restrictions many businesses had to close down thereby reducing economic activity. During the pandemic the access to digital platforms became very important for conducting business, but most of the women in the informal sector lack the necessary skills and resources. This also led to the isolation and financial stress during the pandemic, affecting women in the informal sector.

#### d) Relationship between Education and Income

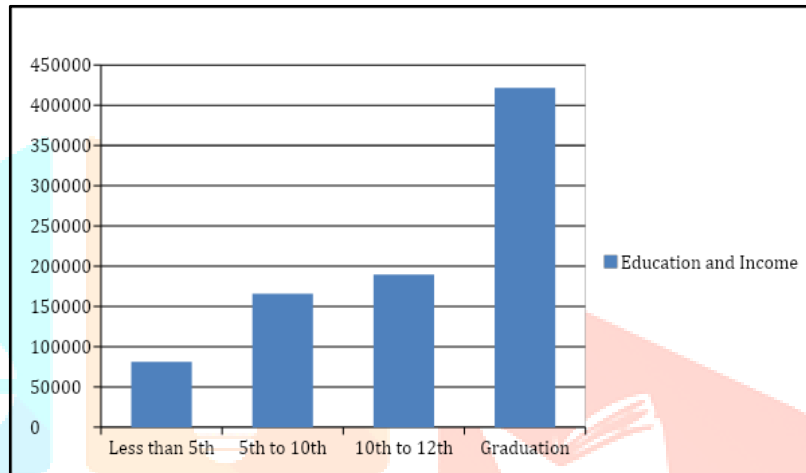


fig 1.4

The data suggests a clear positive correlation between individuals' income levels and their educational achievements within the informal sector. This means that as individuals attain higher levels of education, their income tends to increase correspondingly within the sector. We always think that the level of education may have less significance in the unorganized sector, but we can observe the trend from the data that there is an observable impact of level of education on income.

People with greater education might be more creative and adaptive. They can use the knowledge they have learned in school to create new goods and services, and adapt to the demands of a shifting market. Financial literacy can be raised through education, which will benefit those who need to manage their money, apply for credit, and make future plans. Educated people working in the informal sector can help the sector to gain legal legitimacy. They frequently possess a variety of abilities and expertise that can have a good effect on the unorganized sector in a number of ways.

But too many educated people in the informal sector is a topic of concern because it is indicative of less income, lack of formal job opportunities, avoiding bureaucracy, skill underutilization, limited career growth and many other things.

### e) Relationship between Income, number of workers and type of business

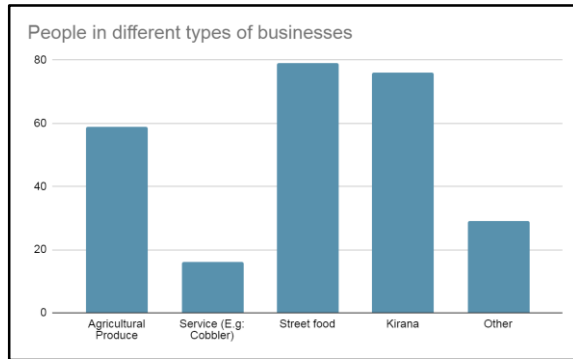


fig 1.5

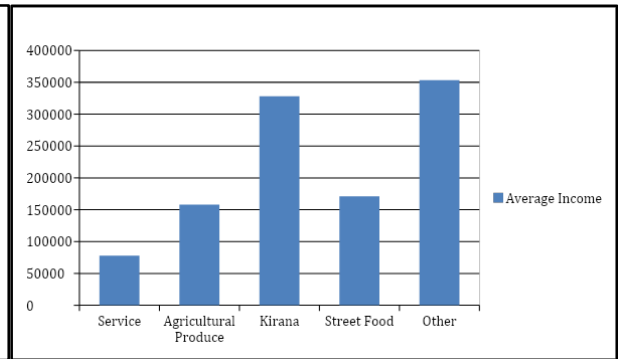


fig 1.6

The informal sector encompasses a diverse range of businesses, including vegetable vendors, cobblers, street food vendors, kirana stores, atta chakki (flour mills), and others (includes vendors which sell mobile accessories, tea stalls, cigarettes, etc.). Among these, the food sector, in particular, has experienced significant growth in India, driven by changes in hectic work lifestyles that are altering traditional ways of living. In cities like Pune, the maximum number of vendors is in the street food business followed closely by grocery stores. Vegetable vendors were third in terms of numbers

When studied in depth, the data shows an inverse relationship between the number of workers and income generated in business areas like street food and agriculture.

Interestingly, despite India's status as the most populous country, there's a paradoxical situation where agricultural products generate relatively lower income. This discrepancy can be visualized through a graph, highlighting the disparity between India's population and the income generated from agricultural products, which ideally should be higher given the vast market size.

### f) Comparison between the business type and gender

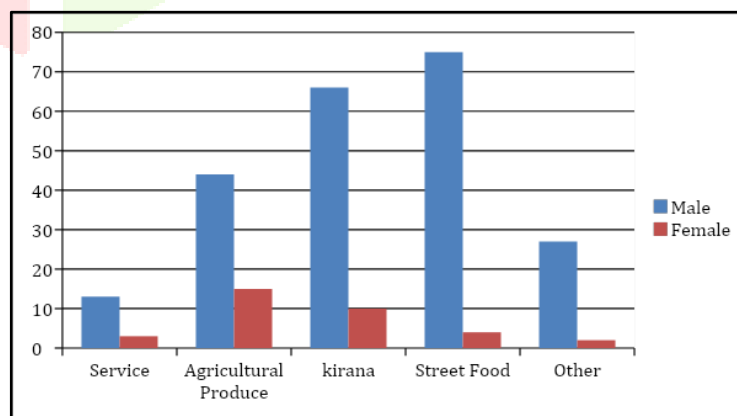
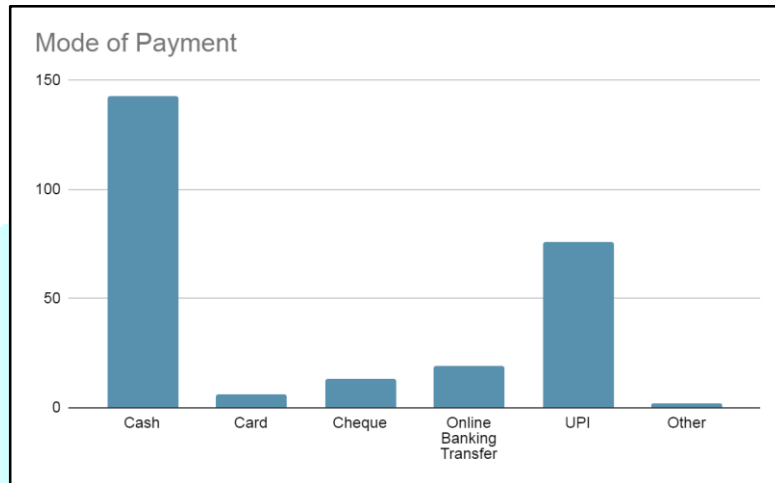


Fig 1.7

Based on the Data, it is evident that women exhibit lower participation rates across all the categories within the informal sector of businesses. Gender bias can lead to women getting less paid for the same work, or facing difficulties in accessing higher paying opportunities within the informal sector. We can also see a clear difference in the average income between the genders. This also indicates women are getting less support from the public.

### g) Mode of Payment



**Fig 1.6**

Tax evasion in the informal sector is achieved through various means due to limited regulation and documentation. Common methods include underreporting income, conducting cash transactions to avoid paper trails (which is evident in the fig 1.6), operating without official registration, and maintaining no records of transactions or income.

Many businesses in the informal sector have also started to use UPI enabled digital transactions, which leave a traceable electronic trail which makes it more difficult for informal businesses to hide their income and evade taxes, as transactions are recorded and can be monitored by tax authorities.

So, from the data we can clearly see the condition of informal sector in India, and what kind of trends it follow, what are the earnings of different businesses and services in informal sector, what are the sufferings of women in informal sector, which class actually in informal sector need to be looked after by government, the amount of tax evaded in informal sector.

## 6. Discussions

### a) Who in the informal sector should be benefited from government policies?

When the deserving individuals don't get the advantage or benefits that they deserve, it exposes a widespread problem with potentially wide ranging effects. In this discussion we will delve into the biggest problem in the informal sector i.e. who should be benefited in the informal sector. From the given data we can easily say that, everyone does not have financial insecurity, less income, etc. Even in various scenarios they are earning way more than the people in even the formal sector. But there are some in the informal sector like in service eg. Cobbler, they don't earn that much and do suffer from

problems like financial insecurity. According to the e-Shram scheme, every informal worker who has registered for it will get a pension of Rs.3000 after age of 60 and total eShram cards issued were 29,16,14,432. So, in order to guarantee that resources are distributed efficiently and fairly, it is important that comprehensive surveys and assessments be carried out in order to determine those who actually need to benefit from government initiatives. This strategy aims to prevent the misappropriation, misallocation and dilution of public funds and help to target aid to the most deserving individuals. Additionally, it encourages accountability and openness in the government initiatives. An accurate needs assessment is essential to developing policies that cater to the unique demands and difficulties of various population groups, which in turn promotes more inclusive and efficient governance.

#### **b) Why are there very few women in the informal sector?**

Women's underrepresentation in the unorganised sector is a complicated problem with many underlying causes, such as traditional norms and gender roles. According to traditional gender roles and society expectations often women should focus on household responsibilities, limiting their participation in the informal sector. Women face many barriers in accessing financial resources, such as credit, which is essential for starting businesses in the informal sector. In countries like India, women from underprivileged families often don't get education, which limits their ability to engage in informal sector activities. We have seen many cases when women often face discrimination and harassment in the informal sector, which discourages them from entering the informal sector. Women's participation in the informal sector is mostly driven by necessity rather than choice, So, they may enter low paying jobs out of the need to support their families. So, we can increase the participation of women in the informal sector by increasing their access to education, promoting financial inclusion, and providing them legal empowerment. Even the government should implement some gender inclusive policies which will help women in creating their opportunities in the informal sector.

#### **c) Is there any role of education in the Informal sector?**

Education plays a crucial role in the informal sector as well, but the nature of education and its impact differ from that in the formal sector. Education equips individuals in the informal sector with the skills. If informal sector workers are educated, they can learn better techniques, problem solving, which can lead to increased output or income. Education fosters adaptation and innovation, an even better level of education helps them to adapt to changing market demands and embrace new technologies. But highly educated people in the informal sector are also indicative of lack of job opportunities, skill underutilization, Income, etc. Even some highly educated individuals start their own businesses in the informal sector to pursue their entrepreneurial aspirations.

#### **d) Tax Evasion in the informal sector.**

One of the widespread issues in the informal sector is Tax evasion. It is a significant challenge for the government. The informal sector typically includes businesses and workers who operate outside the formal regulatory framework, often to avoid taxes and other legal obligations. This poses significant challenges for the government and revenue collectors. Lack of accountability is one of the main reasons of Tax evasion in the informal sector. Informal businesses often work without proper documentation or registration. So, it becomes difficult for Tax authorities to track the information on their income and Tax liabilities. Even people in the informal sector do not see the value in paying taxes, since they perceive government services inadequate or inaccessible, and this leads to reducing their willingness to comply with Tax obligations. In many regions, transactions in the informal sector are done by cash, making it easier for businesses to underreport their income and avoid taxes. But the government should

promote online payment methods so that they can increase the transparency and will make it difficult to hide income. Even offering incentives or targeted benefits to Taxpayers can encourage them to pay taxes. Government should try to form associations with the informal sector; this will help them to bridge the gap between Tax authorities and businesses. Thus, reducing Tax evasion from the informal sector should be the main challenge for the government to balance their revenue collection goals with efforts to encourage economic growth and formalization.

## 7. Conclusion

This research has uncovered the key trends and insights into the informal economy. The objective of this research was to find more about gender patterns, tax evasion, role of education in informal sector, etc. We also support more study in this area especially in the regions of creative problem solving and such government initiatives which will help in economic balance in the informal sector. Thus, understanding the informal sector is essential to attaining equitable and sustainable development, as it continues to play a significant role in the economy.

## 8. Bibliography

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