

ROLE OF UNORGANIZED ENTERPRISES IN TRANSPORTATION SERVICES IN INDIA

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ABSTRACT

“Mobility accelerates the economic development” – is proved by the researchers across the world. The mobility generally has two main components – passenger and freight movement. In India both these operations are undertaken by unorganized establishments and a multitude of individual operators. These unorganized operations do not maintain records and it is difficult to quantify their contribution. The National Sample Survey (NSS) organization has undertaken a comprehensive survey of establishments and operators for the first time in India. This paper discusses the role played by unorganized sector in transport operations, their characteristics, employment generated, revenue and asset created etc. The paper also discusses the steps needed to modernize and accelerate their business operations.

Keywords: *Unorganized transport; Rural and Urban Sectors; mechanized and non-mechanized transport*

1. INTRODUCTION

India is truly a continent with over one billion population dispersed over 0.6 million settlements spread across a geographical area of 3.3 million sq.km. Even though urbanization is on the rise, bulk of the people, accounting for nearly 70%) still live in rural areas. Mobility and economic development is closely interrelated, and the function of mobility brings in the economic value addition to the people. As per Stanley (2007), the transport mobility provides direct and indirect micro economic development. The World Business Council for Sustainable Development (2008) outlined that the mobility enhances

- economic growth and development
- It connects people to jobs, markets
- It helps to serve new markets
- It reduces the trade barrier effect

Tata Energy Research Institute (2008) in its report emphasized the importance of mobility as a tool for economic development and mobility helps in reducing the opportunity divide between various sections of society. Mobility is broadly divided into freight and passenger movement. In India, the mobility needs of the society are met by both organized and unorganized transport operators. Passenger mobility is achieved through mechanized vehicles such as car, bus, auto, motorcycle etc. The non mechanized modes include walk, cycle etc. These could be further classified as personalized modes (car, two-wheeler) and public operators. These public operators can be further classified as organized transport operators and unorganized transport operators. Organized transport operators maintain a large database about their transport contribution over the time, growth, demand as well as areas of concern etc. However, it is difficult to obtain insights into the activities of unorganized transport sector in a comprehensive manner due to lack of systematic data. The National Sample Survey Organization has devoted in its 57th round of data analysis exclusively on this aspect. This paper highlights the details of unorganized transport services sector in India. Unorganized Transport Services can be divided into Mechanized; Non-mechanized operations as well as urban and rural operations. Mechanized road transport includes passenger transport by buses (including tramways), passenger transport by other motor vehicles, freight transport by trucks, LCVs or any other road transport by mechanized vehicle.

The objectives of this paper are

1. To identify the role of unorganized sector in transportation services.
2. To understand the profile of unorganized sector in transportation services
3. To analyze the factors contributing to the successful operation of unorganized sector in transportation services.

2. REVIEW OF LITERATURE

The definition followed by National Commission on Enterprises in Unorganized/informal Sector (NCEUS, 2004), is a very comprehensive for classifying establishments and individuals in unorganized sector. The definition encompasses three major aspects, namely persons employed, capital and assets created and income generated by these enterprises. Thus, unorganized sector could be defined as an establishment working with less than 10 persons with very low capital and normally does not pay income tax on the income generated.

Various sectors in developing countries (Kumar and Rajput, 2008) are typically dominated by the presence of a large number of small and micro-businesses that operate in an informal, unorganized manner. Many of these are single person micro-businesses and cannot afford to buy and maintain their own infrastructure. For others, easy availability of cheap labor provides a convenient alternative even though it results in inefficiency, as little or no records are maintained, and only manual, paper-based processes are followed. This results in high response times, no formal accountability and higher charges for customers. For the businesses, this translates to lower earnings and losses due to inefficiencies. In the area of passenger transport, a survey carried out for auto drivers can be summarized as shown in Table 1. The unorganized transportation generally leads to high waiting time and high penalties.

Table 1. Summary of responses from auto-drivers

Questions	Yes	No
High Waiting time (7-8 hrs)?	58%	42%
Use mobile for business?	33%	67%
High penalties?	83%	17%
Customer Harassment?	34%	66%

The passenger mobility is provided by personalized vehicles and public modes such as buses, autos and taxis. The data indicates that the Public fleet account for 7 percent while personal modes account for 93 percent. In addition, the annual average growth rate of public modes is about 9% whereas the personalized modes have a growth rate of 10% for three successive five year periods. Within the public modes, 100% of autos, taxis and 74% of buses are operated by unorganized sectors (CMIE, 2006 and RTO, 2005). Thus, without the unorganized sector, the mobility of people and freight will be seriously hampered.

Table 2. Growth of Passenger Transport in India

Year	Public Modes	%	Personal Modes	%	Total
1990-91	1192209	6.75	16466364	93.25	17658573
1995-96	1839770	6.97	26403238	93.49	28243008
2000-01	2890758	6.59	43853245	93.82	46744003
2003-04	3663272	6.19	59189147	94.17	62852419

Source: CMIE Publication on Infrastructure, May 2006

In case of road freight transport, unorganized establishments comprising individual operators have a dominant presence and run almost the entire goods-carrier industry. The road freight industry stands out unique with the majority of the market share held by the unorganized sector. Out of the entire market size of approximately Rs.380,000 millions, only Rs.60,000 millions is with the organized sector and the remaining with the unorganized sector. The organized sector has only 14% share of the total road freight transportation industry (TCI).

3. METHODOLOGY AND SAMPLE PROFILE

The basic objective is to understand the size of the total number enterprises, ownership, employment, fixed assets, operational expenses, receipts, value added, loans, gross value added per worker, etc of the unorganized transportation sector in India. A total sample of 53290 units were selected for the survey. The major classification of enterprises into two groups had a bearing in the analysis. These groups are (1) Own-account Enterprises (OAE) and Establishments, Accordingly, the un-organized transport sector the samples are drawn from the groups as given in Table 3. The mechanized operations constitute about 53 percent where as non-mechanized account for 47 percent of the sample. Information about the type of ownership, type of operation, whether accounts are maintained etc. was collected covering both rural and urban areas of all states of India.

Table 3. Sample sizes covered in the survey for the Transport Sector

Transport Groups	Rural		Urban		Total
	OAE	Establishment	OAE	Establishment	
Mechanical-Road	7210	5040	12590	4459	28299
Non mechanized	10094	531	12436	1931	24991

Table 4 presents the employment in the sample units. Almost all the sample units employ 1 to 5 persons. This is true both in the rural as well as urban areas. Similarly, Table 5 presents the average number of workers in the sample units. While the average number of workers in the OAEs is less than 2, those in the Establishments is higher nearing almost 5 workers in the urban areas.

Table 4. Percentage distribution of sample units by Number of workers

	Rural			Urban			Combined		
	1 to 5	6 to 19	20 or more	1 to 5	6 to 19	20 or more	1 to 5	6 to 19	20 or more
Mechanical-Road	99	1.1	0	98.4	1.6	0.1	98.6	1.3	0.1
Non Mechanized	99.9	0.1	0	99.4	0.6	0.1	99.7	0.3	0

Table 5. Average number of workers per enterprises by Type of activity and enterprise type

	Rural			Urban			Combined		
	OAE	Estt.	All	OAE	Estt.	All	OAE	Estt	All
Mechanical-Road	1.2	2.7	1.7	1	3.9	1.4	1.1	2.9	1.5
Non Mechanized	1.1	2.2	1.1	1.1	4.8	1.2	1.1	3.4	1.1

The data is analyzed to understand the role played by the unorganized transportation sector's contributions in terms of employment, revenue generated and operational problems faced by them. The total database consists of about 50,000 records. The sample profile of these units is given Table 6.

Table 6. Sample Profile

Characteristic	Frequency	Percent
Rural	22116	44.7
Urban	27358	55.3
Owner type		
Proprietary male	48011	97
Proprietary female	440	0.9
Partnership with the same household	377	0.8
Partnership with a person not from the same house hold	392	0.8
Cooperative society	8	0

Social group		
ST-1	2199	4.4
SC-2	8670	17.5
OBC-3	17643	35.7
Other-9	20733	41.9
Location of office		
Within house hold premises	7034	14.2
Outside house hold, fixed premises and permanent structure	2701	5.5
Outside household, fixed premises and temporary structure	283	0.6
Fixed premises without structure	3985	8.1
Mobile market	7787	15.7
Street vendor	27630	55.8
Account maintenance		
Account maintained formally	988	2
No formal account is maintained	48485	98
Number of workers		
1	37613	76
2	6294	12.7
3	2930	5.9
4	822	1.7
5	651	1.3
6 and above	1164	2.4
Gross value addition		
Less than 30,000	24935	50.4
More than 30,000	24539	49.6

The sample units are predominantly proprietary in ownership and owned by males. The owners mainly belonged to other castes. About 20 percent of the units are owned by Scheduled caste and scheduled tribes. More than 55 percent of them do not operate from any fixed premises and are almost like street vendors. Less than 2 percent of the units maintain accounts. As mentioned earlier, 76 percent of the units employ a single worker. Usually the worker himself or herself is the owner.

4. ANALYSIS AND DISCUSSION

The total work force associated with un-organized transport related activities is about 7.56 million. Percentage distribution of full-time and part-time workers by type of activity is presented in Table 7. Even though the average number of worker per unit is very low, the total employment generated is very high owing to the fact that the number of units is very large. The employment generated is predominantly for male workers. The female workers account for less than 1 percent. This is one of the special characteristics of unorganized transportation sector as compared to other sectors in India.

Table 7. Percentage of Male and Female Workers

Description	Full time		Part time		All
	Male	Female	Male	Female	
	Rural				
Mechanized	94.8	0.5	4.4	0.3	100
Non-Mechanized	91.9	0.3	7.2	0.5	100
	Urban				
Mechanized	97.1	0.5	2.3	0.1	100
Non-Mechanized	95.4	1.7	1.6	1.3	100

The data on annual average gross value added per worker (in Rs.) by Type of activity and enterprise type indicate that urban areas contribute about 60 percent and rural areas account for 40 percent. The distribution is more or less similar between OAEs and Establishments.

Table 8. Annual Average Gross Value Added per Worker (Rs.)

	Rural			Urban			Combined		
	OAE	Estt.	All	OAE	Estt.	All	OAE	Estt.	All
Mechanized	37150	40393	38849	37343	61757	45622	37245	46991	41615
Non-Mechanized	16881	21404	17126	21438	79479	29977	18545	58222	22132

An annual average emolument (in Rs.) per hired worker in an establishment by type of activity is given below. Urban workers in non – mechanized are paid higher than all other category of workers.

Table 9. The Average Annual Emoluments per Worker

Item	Rural	Urban	Combined
Mechanized	21915	28208	24107
Non-Mechanized	13707	42413	34158

Very few of the sample units have reported operating under loss. This is purely based on their own perceptions because very few of the units actually maintain formal accounts. This is the primary reason for collecting the information in terms of loss making or profit making, but not quantifying the loss or profit in rupee terms. In general, the percentage of units reporting loss is higher in rural areas as compared to urban areas. A large percentage of loss making units belongs to Other Backward Castes. At the same time, units operating from their own houses appear to be loss making. With respect to the mechanization, a larger percentage of loss making units belong to the mechanized group. With respect to number of workers, the loss making units are evenly distributed in terms of number of workers employed. Table 10 provides the distribution of loss making units as well as others in both rural and urban areas.

Table 10. Distribution of Loss Making Units by Different Categories

Description	Rural			Urban		
	Loss	Gain	Total	Loss	Gain	Total
Premises - Within Household	90	3702	3792	31	3211	3242
Outside Household	11	944	955	23	2006	2029
Street Vendor	246	17095	17341	431	38971	39402
Caste - SC	9	1059	1068	7	1124	1131

Description	Rural			Urban		
	Loss	Gain	Total	Loss	Gain	Total
Caste - ST	61	3985	4046	37	4587	4624
Caste - OBC	157	7836	7993	93	9557	9650
Caste - Others	120	8837	8957	102	11674	11776
Mechanized	241	11947	12188	173	15724	15897
Non-Mechanized	107	9821	9928	67	11394	11461
1-2 Workers	307	19219	19526	212	24169	24381
3 or more workers	41	2549	2590	28	2949	2977

5. SUMMARY AND CONCLUSIONS

Unorganized sector consists of a large number of small operators both in passenger and freight services of transport operations. Their asset base is very low and most of them operate from their own houses. Majority of them do not maintain formal accounts. The number of workers employed in these units is in the order of 1 to 2 workers per unit. In many cases, the worker himself or herself is the owner. The ownership is predominantly proprietary. Even though the average number of worker per unit is very low, the total employment generated is very high owing to the fact that the number of units is very large. The employment generated is predominantly for male workers. The female workers account for less than 1 percent. This is one of the special characteristics of unorganized transportation sector as compared to other sectors in India. Based on the sample data, very few units reported making a loss. This could be mainly based on their perception rather than actual data because very few units maintain formal accounts of their operations. Majority of the loss making units are owned by Other Backward castes, and operate from their own houses.

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