

# SBI: ₹26 trn of economy formalised in FY16-FY23

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India has formalised ₹26 trillion of its economy between FY16 and FY23, as the share of the informal economy fell to 23.7 per cent from 25.9 per cent during the seven-year period, according to a report released by the State Bank of India (SBI) on Friday.

The report estimated the share of the informal economy by using the recently released Annual Survey of Unincorporated Sector Enterprises (ASUSE).

“Assuming manufacturing as a proxy for industry gross value added (GVA) and trade and other services sector for services GVA, size of the total informal economy has declined in these seven years. This translates into ₹26 trillion formalised in seven years,” the report notes.

In absolute terms, the total amount of informal GVA increased to ₹58.4 trillion in FY23 from ₹18.6 trillion in FY16. Of this, informal agriculture contributed ₹43 trillion, followed by informal services (₹11.8 trillion) and informal industry (₹3.6 trillion) in FY23.

Meanwhile, the share of informal agriculture in total GVA rose to 95.9 per cent in FY23 from 94.8 per cent in FY11.

On the other hand, the share of informal industry and informal services declined to 5.3 per cent and 8.8 per cent in FY23 from 6.6 per cent and 13.8 per cent in FY11.

“Other services and trade” led to the rapid growth in unincorporated enterprises, more so in rural areas.

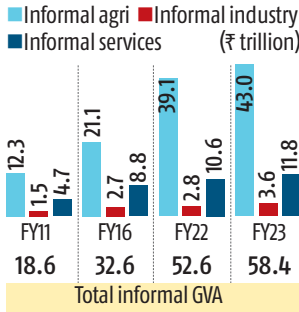
It inched upwards to 65 million in FY23 from 58 million in FY11 even though decadal plus trends shows stability for workers, greater number in urban establishments and there is a concomitant shift in workers from manufacturing to trade.

“Rural establishments, apart from embracing higher

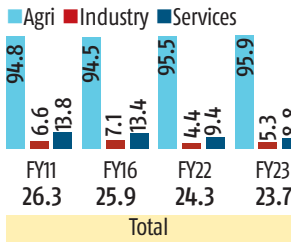
## FORMALISATION ON THE FASTTRACK

Data based on Annual Survey of Unincorporated Sector Enterprises

### Informal sector GVA



### % share of informal GVA in total GVA



GVA: Gross value added

Source: SBI Research



growth, also witnessed robust growth in GVA (2.7 times against 2.3 times growth for urban establishments) with traction coming from a rise in contribution from other services. Further, rural establishments have exhibited a rapid pace of increase from GVA per establishment contribution with larger increases in all the three sectors — manufacturing, trade & other services vis-à-vis urban counterparts,” the report said.

The report further noted that the bottom of the pyramid accounts for 43 per cent of the private final consumption expenditure. SBI classifies those earning less than \$3.65 daily as ‘bottom of the pyramid’.

“According to World Bank data, at 2017 international prices, 44 per cent of our population spent less than \$3.65 per day,” it noted.

The report notes that the

economy is getting formalised at a faster pace than the labour force but the fault lines may soon taper in particular with full-scale harnessing of the E-Shram portal.

“As on date, nearly 297 million unorganised workers have registered on the E-Shram portal, which holds unbridled possibilities to become a lynchpin for speeding up the formalisation of labour force and migrant statistics as a substantial percentage (47 per cent) comes from migrant outbound states like Uttar Pradesh and Bihar etc,” it reads.

The report also notes that the distribution of labour force (568 million) shows that 45 per cent of the labour force is still informal, with the usual suspects of agriculture (25.5 per cent) and services (13.9 per cent) accounting for close to 40 per cent of total workforce and 88 per cent of the informal workforce.