4. ASUSE 2025 - Growth in India's Unincorporated Non-Agricultural Sector - Economy

1. Why in News

1. Ministry of Statistics and Programme Implementation (MoSPI) released Annual Survey of Unincorporated Sector Enterprises (ASUSE) 2025
2. Reported strong growth in India's unincorporated non-agricultural sector
3. Highlights - Rising employment, women entrepreneurship, digital adoption, formal financial inclusion
4. Sector generated 74.5 lakh additional jobs, total employment 12.81 crore workers
5. Establishments grew 7.97% from 7.34 crore to 7.92 crore
6. GVA grew 10.87%, trade sector led with 16.77% growth

2. About Annual Survey of Unincorporated Sector Enterprises (ASUSE) 2025

Definition and Purpose

1. Nationwide survey capturing economic and operational characteristics
2. Focus - India's unincorporated non-agricultural enterprises
3. Comprehensive assessment of informal economy

Compiled and Published By

1. Ministry of Statistics and Programme Implementation (MoSPI)
2. Part of National Statistical Office's mandate

Focus Areas

1. Covers unincorporated enterprises engaged in -
    1. Manufacturing (small-scale production units)
    2. Trade (retail, wholesale)
    3. Other services (repair, personal services, hospitality)
2. Excludes - Construction activities

Coverage

1. Rural and urban India comprehensively
2. Exception - Inaccessible villages of Andaman and Nicobar Islands
3. Represents vast majority of informal economy

Parameters Studied

Establishments - Number, distribution, growth
Employment - Workers, categories, gender distribution
Gross Value Added (GVA) - Economic output, sectoral contribution
Digital adoption - Internet usage for business
Registration status - Formal registrations (GST, MSME, etc.)
Assets - Fixed assets, capital stock
Loans - Credit access, sources (institutional vs. non-institutional)
Women participation - Female proprietors, workforce

Methodology

Multi-stage stratified sampling design - Ensures representativeness across states, rural-urban, sectors
Computer Assisted Personal Interviewing (CAPI) - Digital data collection for accuracy, real-time validation
Scientific sampling and enumeration

3. About Unincorporated Sector Enterprises

Definition

Non-corporate business units owned by -

1. Individuals
2. Households

3. Partnerships
4. Self-help groups

Without separate legal identity - No incorporation under Companies Act or similar laws

Legally indistinct from owners

Features of Unincorporated Sector Enterprises

Small-Scale Operations -

1. Limited capital investment
2. Low technology adoption (basic tools, traditional methods)
3. Local market orientation - Serve neighbourhood or village markets
4. Predominantly micro and household-based businesses

Proprietorship Dominance -

1. Majority run as individual proprietorships or family enterprises
2. Decision-making concentrated within households - Owner is manager, often supported by family
3. Minimal separation between ownership and management

Labour-Intensive Nature -

1. Depend heavily on family labor - Unpaid family workers common
2. Informal workers - Hired workers often without written contracts, social security
3. Limited mechanization

Informal and Flexible Structure -

1. Many functions without formal registration or corporate compliance
2. Minimal regulatory burden
3. Flexible operations - Adapt quickly to local demand conditions, seasonal variations
4. Low entry and exit barriers

Examples in Context of Indian Economy

Retail and Kirana Stores -

Local grocery shops dominating urban and rural markets

Neighbourhood retail outlets - Convenient, credit-based relationships

Estimated 12-14 million Kirana stores nationwide

Household Manufacturing Units -

Tailoring shops - Custom stitching, alterations

Garment stitching units - Small-scale apparel production

Pottery makers - Traditional handicrafts

Handicraft enterprises - Artisan products (jewellery, weaving, woodwork)

Repair and Service Enterprises -

Mobile repair shops - Ubiquitous in urban areas

Automobile workshops - Two-wheeler mechanics, small car repairs

Salons - Beauty parlors, barbershops

Electronic repair centers - TVs, appliances

Food and Hospitality Units -

Dhabas - Roadside eateries

Tea stalls - Chai vendors

Street food vendors - Local cuisine, snacks

Small restaurants - Family-run establishments supporting local economies

4. Key Findings of ASUSE 2025

Establishment Growth

1. Number of establishments increased 7.97%
2. From 7.34 crore (2023-24) to 7.92 crore (2025)

3. Net addition - 58 lakh establishments

State-wise Distribution -

Highest number - Uttar Pradesh (rural and urban combined)
Followed by - West Bengal, Maharashtra
Concentration in populous states

Employment Expansion

1. Sector generated over 74.5 lakh additional jobs
2. Total employment - 12.81 crore workers (2025)
3. Significant job creation in informal economy

Workforce Concentration -

1. More than one-third concentrated in Uttar Pradesh, West Bengal, Maharashtra
2. Geographic employment clusters

Rising Economic Output

1. Gross Value Added (GVA) grew 10.87%
2. Economic contribution increasing
3. Trade sector led with 16.77% growth (highest sectoral growth)
4. Manufacturing and services also contributed
5. Reflects expanding economic activity

Women Entrepreneurship

1. Female proprietors headed over 60% of manufacturing establishments
2. Dominant presence in manufacturing entrepreneurship
3. Women constituted nearly 29% of total workforce
4. Substantial female labor force participation
5. Nearly 72% of female-led hired-worker establishments engaged at least one female hired worker
6. Women entrepreneurs creating employment for other women
7. Positive spillover for gender equity

Digital Adoption

1. Internet usage for business purposes increased -
    1. From 26.68% to 39.37% (47% increase)
    2. Over 50% of traders using internet services
2. E-commerce, digital payments, online ordering adoption
3. Bridging digital divide in informal sector

Better Financial Inclusion

1. Around 80% of outstanding loans came from institutional sources
2. Reflects greater dependence on formal credit channels -
    1. Banks
    2. Microfinance institutions
    3. NBFCs
3. Reduced reliance on informal borrowing (moneylenders, relatives)
4. Improved credit access and terms

5. Significance of the Findings

Indicator of Economic Recovery

1. Growth in enterprises, employment, GVA reflects -
    1. Resilience of informal economy post-pandemic
    2. Sustained momentum in economic activity
2. Informal sector as buffer during economic shocks
3. Broad-based recovery across sectors and regions

Women Empowerment

1. High participation of female entrepreneurs (60% in manufacturing)
2. Highlights expanding economic opportunities for women
3. Increasing women-led enterprise activity -
    1. Economic independence
    2. Decision-making power
    3. Role model effect
4. Contributes to gender equity and social development

Digital Transformation

1. Rising internet adoption (26.68% to 39.37%) signals -
    1. Growing digital integration among MSMEs and informal businesses
    2. Across rural and urban India
2. Benefits -
    1. Market expansion (online sales)
    2. Efficiency (digital payments, inventory management)
    3. Financial inclusion (UPI, digital wallets)
    4. Information access (prices, weather, government schemes)
3. Digital India Mission impact

Financial Formalization

1. Greater reliance on institutional credit (80%)
2. Indicates -
    1. Improving financial inclusion (Jan Dhan, MUDRA loans, priority sector lending)
    2. Reduced dependence on informal borrowing channels (exploitative interest rates)
3. Benefits -
    1. Lower borrowing costs
    2. Formal credit history building
    3. Protection from predatory lending
    4. Business expansion capacity

Policy Effectiveness

1. Findings validate effectiveness of -
    1. PM MUDRA Yojana (micro-credit)
    2. Stand Up India (women, SC/ST entrepreneurship)
    3. Digital India initiatives
    4. Financial inclusion campaigns
    5. MSME registration drives (Udyam portal)

Employment Generation Engine

1. 74.5 lakh jobs added demonstrates informal sector's role as -
    1. Major employment generator
    2. Absorber of labor (especially lower-skilled, rural workers)
    3. Supplement to formal sector employment
2. Critical for inclusive growth

Structural Transformation Signals

1. Digitalization and formalization suggest -
    1. Gradual transition from purely informal to semi-formal structures
    2. Integration with formal economy (supply chains, digital platforms)
    3. Potential for productivity gains

6. Challenges Despite Positive Findings

Productivity Concerns

1. Small-scale, low-technology operations limit productivity

2. GVA per worker likely lower than formal sector
3. Limited innovation and technological upgradation

Vulnerability and Income Security

1. Informal workers lack -
    1. Written contracts
    2. Social security (health insurance, pension, PF)
    3. Job security
    4. Minimum wage enforcement
2. Vulnerable to economic shocks, health crises

Credit Access Gaps

1. While 80% loans institutional, many still excluded
2. Collateral requirements, documentation barriers
3. High rejection rates for smallest enterprises

Regulatory Ambiguity

1. Operating without formal registration creates -
    1. Limited legal protection
    2. Difficulty in scaling
    3. Exclusion from government schemes (some require registration)

Skill Deficits

1. Limited formal training and skill development
2. Affects quality, efficiency, competitiveness
3. Generational knowledge transfer inadequate

Market Limitations

1. Local market orientation limits growth
2. Competition from organized retail, e-commerce
3. Limited bargaining power with suppliers, buyers

7. Way Forward

Enhance Formalization

1. Simplify registration processes (Udyam portal expansion)
2. Incentivize formalization (tax benefits, scheme access)
3. Awareness campaigns on benefits of registration

Improve Credit Access

1. Expand MUDRA loan coverage
2. Reduce documentation requirements for micro-loans
3. Credit guarantee schemes for collateral-free lending
4. Financial literacy programs

Strengthen Skill Development

1. Skill India Mission focus on informal sector workers
2. On-the-job training programs
3. Recognition of Prior Learning (RPL) certification
4. Industry-specific skill upgradation

Digital Infrastructure Expansion

1. Rural internet connectivity improvement
2. Digital literacy training
3. Affordable smartphones and data plans
4. E-commerce onboarding support (GeM, local platforms)

Social Security Extension

1. Expand eShram portal registration (unorganized workers)

2. Affordable health insurance (PM-JAY expansion)
3. Pension schemes (PM Shram Yogi Maandhan)
4. Accident insurance coverage

Market Linkage Support

1. Connect to government procurement (GeM)
2. Facilitate supply chain integration with MSMEs
3. Cooperative marketing models
4. Quality certification assistance

Technology and Innovation Access

1. Common facility centers for technology access
2. Subsidies for machinery upgradation
3. Incubation support for innovative informal enterprises
4. Technology demonstrations and awareness

Data-Driven Policy Making

1. Continue annual ASUSE surveys
2. Real-time monitoring dashboards
3. Impact evaluation of interventions
4. State-specific strategies based on data

8. Conclusion

ASUSE 2025 highlights growing strength of India's informal economy as major driver of employment (12.81 crore workers, 74.5 lakh jobs added), entrepreneurship (7.92 crore establishments, 7.97% growth), digitalization (internet usage 39.37%, over 50% traders online), and inclusive growth (60% women proprietors in manufacturing, 80% institutional credit). Findings reflect resilience, women empowerment, digital transformation, and financial formalization. Sustained policy focus on enhancing formalization, improving credit access, strengthening skills, expanding digital infrastructure, extending social security, and supporting market linkages essential for leveraging informal sector's potential for equitable, sustainable economic development serving vast majority of India's workforce and enterprises.

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