

Can Tourism Help in Reshaping a Country's Informal Sector? Evidence From India

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Abstract

Even though the informal sector in India is the principal source of employment for 80% of the workforce, it faces numerous challenges in the social and economic realms, making it vulnerable. The presented study focuses on tourism and credit availability as two major factors in fueling the formalisation of traditional sectors, specifically jute, pottery, leather, handlooms and the cultural gig economy, as means to resolve some of the challenges faced by the informal sector. The motivation to study tourism as a propellant of the formalisation of the informal sector follows from the idea that formalisation leads to an eventual rise in economic stability while simultaneously preserving culture. Moreover, physical and virtual tourism offer incredible opportunities for local craftsmen by enabling high-value sales and visibility in national and international markets. The study also reflects on the marginalisation of the artisans due to paucity of institutional support, especially credit accessibility, thereby encouraging the use of loan accessibility as the other component of analysis. Furthermore, a mixed method approach is followed, combining trend analysis of sectors, namely, jute, pottery, leather, handlooms and the gig economy using both secondary data and primary data collected from the semi-structured interviews of 78 craftsmen across 4 states, as well as correlational and regression analysis by regressing worker incomes on tourism and credit access. The trend analysis highlights the heavy reliance of workers on tourism-derived demand due to the 'seasonal' nature of these sectors. Additionally, the regression results reveal a stark positive correlation between the income of artisans and the tourism density of a region of around 75% as well as an even stronger positive correlation between income and loan accessibility to artisans of around 89%, which can serve as a base for policy formulations for the formalisation of the sector. Henceforth, informality and income volatility are perpetuated by constitutional barriers like limited access to

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credit, seasonal demand, digital exclusion and uneven policy implementation, regardless of a notable demand for genuine local goods from tourists.

Keywords: Economic Integration, Informal Economy, Tourism

JEL: O17, J46, Z32

1. Introduction

Livelihood for millions of the Indian population is generated by the informal sector (Harriss-White, 2014). The economic activity providing the revenue stream for workers and small manufacturers, yet not being entirely regulated, taxed, or government registered, comes under the umbrella of the “informal economy”. To offset the decaying effects of economic instability, there is a need to pioneer novel pathways, mainly in traditional industries, which enrich India’s cultural heritage. Both physical and virtual tourism are recognised as important economic drivers. The disruptive forces of modernisation and industrialisation came to the surface during events like the G20 summit in Delhi. New avenues of income generation are vital to research, as the current socio-economic state endangers the livelihood of artisans and hawkers.

To understand the transformative potential of tourism, one must direct one’s attention to ‘Amartya Sen’s Capability Approach’, which looks at strengthening people’s capabilities to lead a life they value and a life in which they have freedom to make choices (Kim & Adu-Ampong, 2025). In consequence, attention moves from mere economic growth to actual freedom and opportunities available to people. By enabling the inclusion of artisans in the international markets through tourism, we create employment opportunities and increase their capabilities by exhibiting their handicrafts to a larger pool of customers while concurrently conserving their culture. This approach spells out how artisans and traditional workers can amplify their capabilities and upgrade their livelihoods through physical and virtual tourism, using social media. Sen conceptualised well-being as something unassociated with worldly possessions but related to the ability to be absorbed in priceless “functionings”, which can be understood as what someone can do, with the commodities of given characteristics that they possess or control. They comprise having an economic life, self-respect, and participating in community activities. In this case, despite the presence of demographic benefits and traditional skills of many rural craftsmen and workers, more value is added when such benefits are appropriately applied to the production and marketing of artisanal products.

This study views tourism not only as a channel for market access but also as a way to enlarge the options and opportunities available to artisans by

integrating economic measures and a capacity approach. This study's main goal is to scrutinise how financial access, demographic mobility, and policy support interact with physical and virtual tourism to alter the likelihood of formalisation of India's informal economy, predominantly in handlooms, pottery, leather, jute, and the cultural gig economy. Formalisation is used here to delineate a measured movement towards registration, institutional identification, and financial and legal access, rather than an abrupt shift from informal to formal label. The paper delves into the influence of tourism-driven demand on market linkage and income stability for informal workers while preserving their cultural identity.

2. Literature Review

In their paper, Nagaraj and Kapoor (2022) critique the government's claim that the informal sector's contribution to the GDP (Gross Domestic Product) has declined by a huge margin of around 32.4% from 52.4% to 15-20%. The authors have contested the above claim in the view that this fall was short-term in nature, which can be attributed to health shocks like COVID-19. As per the author's assessment, these policies only lead to increased formal registrations and tax compliance rather than creating a reduction in the informal workforce. Emphasis was given to the negligible impact of formalisation policies like demonetisation, GST (Goods and Services Tax), and promotion of digital financial platforms like UPI (Unified Payments Interface). The informal sector still constitutes 90% of the workforce, and its GDP share remains at 50%.

Some studies dissect the evolutionary power of Make in India in driving the informal sector into formality (Khan et al., 2016). India's formally skilled workforce constitutes a mere 2%, as per the Labour Bureau Report (2014). Expanding the share of manufacturing in GDP from 16% and creating 100 million new jobs in the next 15 years sets the agenda of the Make in India initiative. NITI Aayog (2022) and World Bank (2021) have documented studies on how policies like "Vocal for Local" and "Make in India" impact the informal sector, suggesting that although these policies have created awareness about heritage artistry, they have not fully translated into the formalisation of the informal sector.

Considerable economic contributions in the informal sector are fostered by the rural-urban migration facilitated by access to urban opportunities, particularly in large urban slums; however, social insecurity and formal invalidation act as a hindrance (Bhagat, 2015).

In his paper, Roy (1999) focuses on how structural change has taken place in India from the informal to the formal economies, focusing mainly on the pottery and jute sectors, wherein he illustrates that the shift towards mechanisation in these industries has ultimately resulted in reduced

competitiveness of handmade products and that mechanised jute products constitute approximately 70% of the market share. Even though initiatives like 'Make in India' have worked towards promoting industrial growth, they have also adversely affected traditional sectors like pottery and jute into deeper informality, leading to an increase in the challenges faced by these artisans. Even industrialisation, which has prompted migration of workers from the rural to the urban areas, has not succeeded in guaranteeing a better source of livelihood for the traditional craftsman, as they still struggle to secure jobs and often get relegated to informal markets in the urban areas with income instability. This has led to the fragmentation of the traditional industries. However, as the urban middle-class income rises, they demand unique handcrafted goods, which tends to open a market for the traditional sector in the urban areas.

Furthermore, reports published by the Ministry of Textiles and Khadi and Village Industries Commission (KYIC) highlight the pivotal role of resource accessibility, especially credit, in the growth and export domains of informal sectors. For instance, India's textile sector, including Khadi products, has seen a substantial increase in exports with a 133% growth in Khadi production over the past four years. In 2018-19, the export of handloom products reached USD 355.9 million, and this surge was due to the global demand from international markets, especially the United States, the United Kingdom and Europe. Additionally, KVIC provides financial support to artisans through schemes like the Modified Market Development Assistance (MMDA) and the Workshed Scheme for Khadi Artisans, offering up to 75% of the cost for workshed construction, making finance more accessible. It benefited more than 20,000 artisans in 2018-19. Another study deduces that an increase in tourism decreases the informal economy if the level of tourism development is low; and increases the informal economy if the tourism is already well-established (Lv, 2020).

Studies have marked out the impact of the advancement of international tourism. It claims that such tourism generally just forces out the informal sector workers, like the street traders and artisans, creating disturbance in the local economy. Socio-economic imbalance worsens with the increased urbanisation for international tourism. Policies launched to facilitate urbanisation may incidentally disturb the economic activities inherent in local economies (Middleton, 2023). The pervasive nature of the informal sector in tourism is noted by Babu et al. (2020). Natural resource-based products like jute for handmade goods and clay for pottery can increase the competitiveness of traditional sectors. West Bengal is considered one of the major producers of jute in national and international markets because of its natural jute resources.

It is suggested that responsible tourism promotes formalisation by creating a sharp increase in the demand for goods and services. Businesses

must invest in upscaling and focusing on formal legal structures, prompting them to enter diverse product lines like handicrafts and sustainable goods rooted in Indian culture. There was a 30% rise in the formal registration of artisans and handicraft sellers between 2015 and 2020 (Maharshi & Bishnoi, 2024), making Rajasthan a prominent centre of international tourism. As per Maharshi & Bishnoi, tourism-aligned formalisation blended with financial support, subsidies, and infrastructural access can be brought about by government-led policies. Formalisation of informal businesses is facilitated by digital business exposure, enabling the processing of international payments, reaching global supply chains, and taking advantage of tourism-oriented social media marketing opportunities. This move was further sped up by tourists' demand for authenticity and local experiences, which encouraged local artisans and performers to set up formal entities, meeting global standards.

Previous research offers perception about tourism-driven growth, industrial policy, and informal employment. The evidence is still strewn, though. Instead of studying how tourism, credit availability, and policy assistance influence income creation and formalisation, a large portion of the literature focuses on either employment characteristics or sector-specific history. However, there is still no unification among studies over whether tourism generates chances for employment or replaces informal labour.

There is negligible empirical research on how tourism, particularly digital tourism, affects traditional businesses (like jute, pottery, handlooms, leather, and the cultural gig economy) despite the size of India's informal economy. On top of that, there is also an information gap regarding the connection between sectoral revenue, loan accessibility, and demand induced by tourists. Lastly, there hasn't been an in-depth analysis of the complementarity between the formal and informal sectors, rather than direct competition.

To close these gaps, this study explores how tourism and financial inclusion affect sectoral Gross Value Added (GVA) using semi-structured interviews, cross-sectional correlation, and regression analysis. This methodology helps us assess the impact of migration, demography, and government policies on the size of the informal economy while preserving cultural integrity.

3. Objectives

The main aim of the study is to examine how tourism acts as a driver for the formalisation of the informal sectors, like jute, pottery, leather, handlooms, and the cultural gig economy. Furthermore, this study aims to analyse the influence of migration from rural areas on the urban informal sector. It also aims to assess the potency of government policies like Vocal

for Local and Make in India on the informal sector, delving into how government interventions can be modified to bridge the formal-informal sector gap. Moreover, the study intends to examine how Indian demographic and ecological conditions can be strategically leveraged for the formalisation of informal sectors such as saffron and pottery, by analysing the natural resource endowments. The paper, hence, analyses the correlation between tourism and the formalisation of India's informal sector using a quantitative exploratory research design.

4. Methodology

4.1 Research Tool

Five informal-intensive industries: handlooms, pottery, leather work, jute, and the cultural gig economy, were the focus of the study because they combine strong cultural ties with high employment opportunity concentration. Purposive selection was used to choose artisans, giving preference to those who were directly involved in production or performance, did not have official contracts, and had dependency demand from tourists or the season. This allowed the sample to be representative of the realities of informal work. The documentation of the life experiences of the artisans and the broader economic interdependence between tourism, income, and credit access in the study is facilitated by the mixed-method design. Additionally, the semi-structured interviews conducted as a part of the mixed-method approach to collect primary data were carried out in selected markets of Delhi, Jaipur, Agra, and Kanpur on 78 artisans belonging to the informal sectors of pottery, leather, jute, handlooms and the gig economy. These interviews were conducted between August and December 2024, and the medium of communication used was Hindi. The questionnaire for the semi-structured interviews was prepared after an in-depth analysis of the existing studies on informal labour, tourism, and cultural industries. Security of livelihood, migration, exposure to tourism, seasonality, and credit-availability experiences formed the basis of the questionnaire. The authors engaged in the conversational approach, instead of being restricted to pre-established answer choices, which permitted respondents to delineate the issues they believed were personally relevant. The selection of artisans represents urban-rural migration patterns, capturing the multiplicity of challenges and opportunities, economic precarity, and movement of artisans within the informal sector, digital competency, social media usage, online presence management, and the tourism-driven revenue give a better understanding of their sustainability decisions. The questionnaire prepared for their interviews is provided in Appendix A.1.

We have conducted observational research both in physical marketplaces and online shopping platforms. Excursions to Delhi Haat, Bapu Bazar, and

Sadar Bazar allowed us to observe how artisans interact with customers, price their products, manoeuvre the market, and strategise based on demand created by tourists, especially in real-time. Document analysis was employed by making use of government reports from NITI Aayog, Ministry of Textiles, and industry reports on MSME (Micro, Small and Medium Enterprises) and tourism and sustainability reports from organisations like Louis Vuitton Moët Hennessy (abbreviated as LVMH). This facilitated the assessment of the impact of government initiatives such as 'Make in India' and 'Vocal for Local' on informal artisans. In addition, by reviewing reports on the comparison of the sustainability practices of luxury brands like Louis Vuitton and Indian artisans, the authors throw light on how such high-end brands can engage in a more equitable and eco-friendly approach to high-quality production.

On top of the semi-structured interviews, examination of official sectoral reports and observational excursions to marketplaces serve as an informal triangulation method. This technique of cross-verifying information across several sources enabled the authors to verify the frequently occurring patterns of seasonality, impact of tourism-driven demand and the effect of credit availability.

4.2 Variables & Methods

The quantitative analysis uses the Gross Value Added (GVA) as the dependent variable and loan access and tourism as the independent variables. This selection allows us to investigate the impact of key factors such as tourism and access to borrowed finance on the state incomes. GVA can be described as a measure of national income which quantifies economic output. Since GVA represents the general performance of the regional economy, it is selected as the dependent variable.

Tourism generates employment and demand for commodities, which in turn holds the potential of increasing investments. Thereby, it can be safely inferred that tourism facilitates rapid economic growth. Growing demand and broader markets incentivise the businesses within the unorganised sector to formalise. Loan Access assesses the impact of financial accessibility on income levels across a variety of sectors. To represent this, we use the availability of loans as a proxy for loan access, owing to their targeted focus on informal sector units and micro-entrepreneurs across industries such as handlooms, jute, pottery, leather, and the gig economy. This variable helps ascertain if improved access to finance substantially leads to sectoral development and contributes to broader economic performance.

PRISMA framework has been adopted to undertake a systematic review of literature to achieve the research objectives (Figure 1). Although a narrow literature is available, a total of 214 papers were initially shortlisted. After

undertaking the screening process, a total of 67 studies have been included in our analysis.

A cross-sectional analysis across ten Indian states has been undertaken for the financial year 2021-22. The analysis sources data from a spectrum of government reports, regional economic databases, and sectoral surveys. These datasets enable an exhaustive analysis of regional income disparities across industries by focusing on specific economic indicators. By examining banking records, the authors highlight local access to finance, particularly regarding regional variations in microfinance and sector-specific credit distribution. Ultimately, these varied data sources provide a comprehensive understanding of how tourism and credit access drive sectoral revenues, evaluated through Gross Value Added (GVA).

Thus, correlational and regression analyses are undertaken to examine the relationship and impact of tourism and loan access on income. The results depict the strength and direction of association between the key variables. It allows for the identification of the associations of the determinants with the variations in the sectoral GVA. Further, a multi-linear regression analysis was employed to estimate the impact of loan accessibility and tourism activity on sectoral income. The principal objective of this model is to quantify the magnitude and direction of the effect of each independent variable on GVA and its statistical significance. Thereby, this model identifies key drivers of income across states.

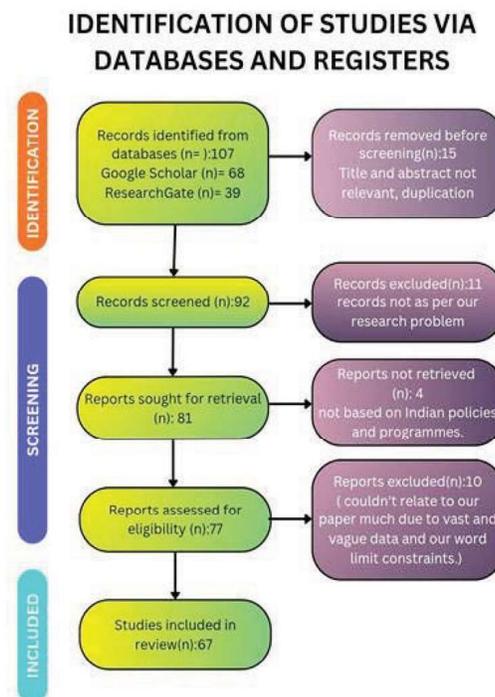


Figure 1: PRISMA Framework (Created by authors)

5. Results

5.1 Trend Analysis

In the informal sector, the mode of production deviates from the conventional economic theories. The informal sector is largely unregulated, and its activities are excluded from the National Income accounts of an economy. The informal businesses hire unskilled and semi-skilled workers without a binding written contract. They are deprived of social security benefits like access to paid leave and health benefits. The informal sector is predominant in the economically backward states such as UP, Bihar, MP, Odisha, and Rajasthan. A high percentage of 94% workers in these states are a part of the unregulated economic activities (Sakthivel & Joddar, 2006).

This study centres on five crucial sectors of India: jute, leather, handlooms, pottery, and the cultural gig economy. These sectors are chosen for exploring tourism-led formalisation, keeping in mind their deep-rooted cultural significance, high employment potential, and widespread presence within India's informal economy. Tourism-led growth, in this study, can be taken to mean an increase in income and market reach arising from the increased purchases directly or indirectly through tourism-related demand. India is the world's largest producer of raw jute and jute products. Despite its scale, the sector remains largely unregulated at the grassroots level. Linking it to eco-tourism and export supply chains allows the informal sector to gradually move towards formalisation. India is among the top exporters of leather products, with exports valued at \$5.26 billion USD in the financial year 2022-23 and provides employment to about 4.42 million workers, mostly in informal or small-scale or home-based setups (Leather Exports Council, 2023). Formalisation of such units has the potential to impact global luxury markets. After agriculture, the handloom sector is India's second-largest employer, providing jobs to around 3.52 million persons (Ministry of Textiles, 2019). A myriad of regional textiles like Banarasi, Pochampally, and Kanjeevaram are produced in India.

However, the issues of low pay, inadequate market access, and informality persist in this sector. Tying handloom production with textile tourism can lead to increased revenue in this sector. India's cultural diversity and performing arts tradition are conducive to a tourism-driven development in the gig economy, which includes musicians, instrumentalists, local guides, dancers, craft demonstrators, and digital content creators. It is pivotal to form the synergy between the government's programs like 'Skill India' and 'Startup India' with the formalisation opportunities to create a stable income flow. Though pottery plays a significant role in Indian culture, its existence has been ignored in the industry. Its economic contribution has often been underreported, making it vital to study for inclusive growth and cultural

preservation (Roy, 1999). The differences between formal and informal sectors are explained through a table in Appendix A.2.

(a) Jute

India, being the largest producer of jute, accounts for around 60% of its entire global production. States like West Bengal, Assam, Bihar and Odisha are the primary cultivators as they provide a conducive environment essential for jute production. According to the Ministry of Textiles (2020), this sector creates a huge employment opportunity by benefiting around 4 million farmers and 200,000 mill workers. Jute, the “golden fibre” of India, serves as an essential source of rural employment due to its historical economic importance. However, the industry has its own challenges as the majority of workers suffer from instability and controlled financial services access, according to the International Labour Organisation (2018).

As per the Census of India (2011), around 30% of the population migrated from rural to urban areas in India during the period of ten years, that is, from 2001 to 2011. The highest migration is observed in Uttar Pradesh, Bihar, and West Bengal, with increased migration being attributable to economic opportunities and better living standards.

Migration has dual effects. The first one is that rural economies increasingly depend on urban areas for employment as fewer people engage in jute cultivation, which shifts the focus away from jute production, causing the shrinking of this sector. The second one is that in times of local labour shortages, urban jute mills in West Bengal received rural-to-urban migrants.

India produces two major varieties of jute: white jute (*Corchorus Capsularis*) and tossa jute (*Corchorus Olitorius*), with West Bengal being the largest producer. While jute production is concentrated in West Bengal (80% of production), Assam is focused more on producing premium-quality jute for exporting. Additionally, Bihar and Odisha are famous for providing raw jute for sacks and bags, which use lower-grade jute (Ministry of Textiles, 2014).

Jute demand surges on the occasions of Durga Puja in eastern India for eco-friendly decorations, and Onam in Kerala for traditional items like bags. Moreover, harvest festivals like Lohri and Baisakhi drive jute demand in rural areas for crop sacks (Jute Corporation of India, 2020). In 2013-14, a jute shortage arose due to fluctuating demand caused by reduced mill consumption and crop production (Bag & Kumar, 2016). Jute is recognised as a highly sustainable and eco-friendly material, given its 100% biodegradability and minimal chemical input requirements for cultivation (Ministry of Environment, 2019). Jute has been produced using organic dyes and promoted as an alternative to plastic packaging by about 80% of jute

producers. Raising awareness around eco-conscious consumerism could lead to a 25% growth in the demand for jute-based products by 2025 (Government of India's Sustainability Report, 2020). Although plastic packaging materials are at least 50% cheaper, it is expected that the international demand for jute will rise vis-à-vis plastic due to increased environmental consciousness (Dey, 2005).

In West Bengal and Assam, tourism activity contributes 25% of the annual income of jute producers, dealing in bags, carpets, hessian, and other jute products. Despite the potential, its entrance to global markets is obstructed by infrastructural unavailability and digital inaccessibility. To escape these problems and compete globally, there is a need for formalisation, better worker protections and enhanced productivity in this sector (National Jute Board, 2019). There exist online platforms like The White Teak and The India Craft House, selling jute products, which provide contractual employment and stable earnings to mill workers and jute farmers. The company Arts of India has significantly contributed to the international growth of jute products in markets like the US. Indian exports of jute products such as floor coverings and shopping bags to the US amounted to 107.13 million USD in 2021-22 (India Brand Equity Foundation, 2021).

While the domestic demand for hessian and other jute goods fell from 2008-09 to 2015-16, jute exports grew from 572.30 crores INR in 1996-97 to 1880.63 crores INR in 2013-14. The increased exports are attributable to growing global demand for environmentally friendly materials. This points out that higher global inclination towards eco-friendly products has rejuvenated interest in jute as a sustainable alternative to plastic, with global exports rising by 3.5% between 2015 and 2020. India is a major player in the global jute market and holds 18.9% of global exports, but Bangladesh surpasses India due to superior quality raw jute and better retting processes (Paul, 2012). India can exploit its natural resource endowments, demographic advantage, innovation, and formalisation to outperform Bangladesh in terms of exports. With these measures, bridging the gap with Bangladesh in terms of exports becomes achievable. The annual expansion of demand for jute-based products is likely due to the rising global environmental awareness. Driven by increasing global environmental awareness, the market for jute-based products is expected to grow annually.

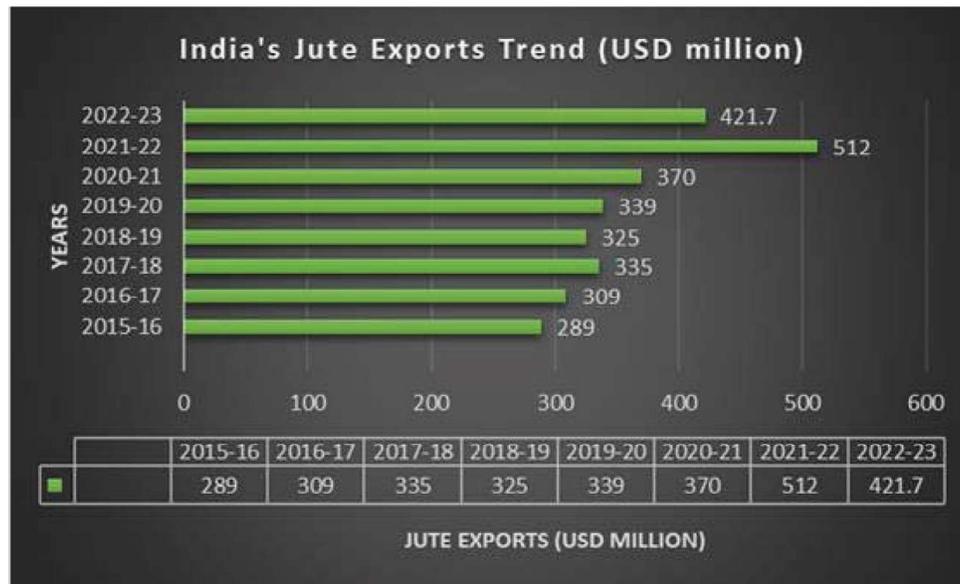


Figure 2: India's Jute Exports Trend (2015-2023) (Created by authors)

Source: National Jute Board, Indian Jute Mills Association

In Figure 2, the trend signifies a slow recovery and expansion instead of a perfectly linear rise, with export momentum primarily driven by growing global preference for sustainable fibres and diversified product lines.

Field interviews of 78 artisans showed that jute is a traditional family business, with 65% of jute producers indicating that they intend to pass down their skills to the next generation, although they are concerned about the competition-induced declining profitability.

Government schemes like the National Jute Board (NJB) and Jute Technology Mission (JTM) are aimed at increasing the productivity of the jute sector. Jute exports are incentivised by schemes such as the Merchandise Exports from Indian Scheme (MEIS). Government initiatives like India's "Golden Fibre Revolution" have restored the crop's importance. Under the jute PLI scheme, manufacturing units of diversified jute goods are to be provided an incentive worth the lower of the two: 3% of export value or 5% of raw material cost. The scheme is operational for the period of 2021-26. Jute-ICARE (Jute: Improved Cultivation and Advanced Retting Exercise), launched in 2015, benefits jute cultivators by giving subsidised seeds, seed drills, and nail-weeders. To further protect the industry, the National Jute Policy 2005 reserves foodgrains and sugar to be packed in jute packaging material.

(b) Leather

India is one of the world's top leather producers, accounting for approximately 13% of global production (Council for Leather Exports, 2020). Around 4.4

million people are engaged in different categories of the leather industry, ranging from tanning, footwear, garments and leather goods manufacturing. Favourable conditions such as raw material availability and the presence of skilled labour make Uttar Pradesh, Tamil Nadu, West Bengal, and Punjab the major centres of leather production. However, challenges posed by competition from synthetic materials hinder the industry's growth. Rural-urban migration considerably affects the leather industry. Uttar Pradesh and Tamil Nadu experience high migration rates as urban leather units depend on rural workers for labour-intensive procedures like tanning and stitching. While cities attract workers with employment opportunities in modern leather units, pollution from tanneries, driving away rural populations, can be simultaneously observed.

Leather production in India varies by region: Tamil Nadu, particularly Chennai and Vellore, leads in tanning and exports; Uttar Pradesh, specifically Kanpur and Agra, is known for footwear manufacturing; West Bengal, focusing on the Kolkata region, specialises in leather goods; and finally, Punjab produces leather accessories and garments. Due to advanced tanning facilities, Tamil Nadu contributes over 40% to India's leather exports (Central Leather Research Institute, 2023). Purchases of leather goods see a surge during festivals of Eid, Diwali, and Christmas. Additionally, sales during these festivals are also spurred by the local fairs and traditional markets set up in Uttar Pradesh and Tamil Nadu.

Production of leather is environmentally challenging, and an attempt is made towards sustainability to diminish that. The attempts include the Ministry of Environment (2019) introducing sewage treatment regulations and the Leather Industry Sustainability Council (LISC) encouraging ecologically sound tanning processes using vegetable-based dyes and chrome-free chemicals. Despite synthetic alternatives being cheaper, sustainable practices drive exports up to 120% by 2030 (Omoloso, 2020). The COVID-19 pandemic led to reduced production and disrupted the industry by tannery closures, export restrictions, and labour shortages. Luxury leather goods demand dropped sharply, in contrast to the production of essential, utilitarian products like work footwear, which remained steady.

Tourism fuels the sale of leather goods in Rajasthan, Uttar Pradesh, and Tamil Nadu. Products like Mojari shoes, leather bags, and handicrafts have gained popularity among tourists. Websites like Leather India Store and Artisans' Connect improve the visibility of Indian leather internationally.

According to the Central Leather Research Institute report of 2020, 70% of the leather production remains in unorganised units, which means that the leather sector is largely informal. Better productivity can be obtained by formalising the leather industry through skill development of workers,

worker protections through laws and business norms, and providing digital market access to the workers. For example, brands like Hidesign and Khadim's employ formal supply chains. As an initiative, the National Skill Development Council (2019) launched programs to train around 200,000 workers in leather craftsmanship by 2025. However, it was observed that high regulatory burdens and labour costs discourage businesses from formalising. Thus, we can suggest that reducing labour market restrictions, reforming tax systems, and enhancing access to credit can be used to encourage the formalisation of the leather sector.

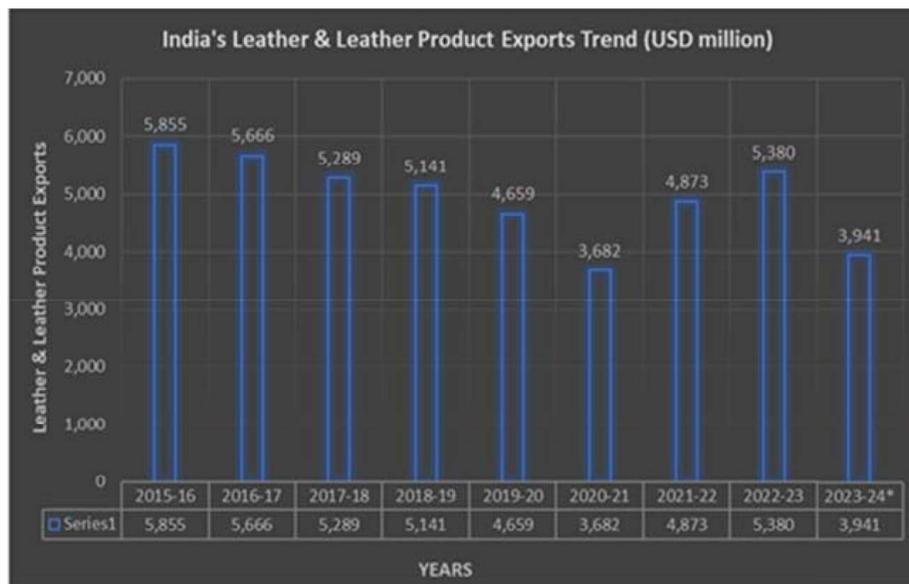


Figure 3: India's leather and leather product exports (Created by authors)

Source: Council for Leather Exports (*until January 2024)

In Figure 3, it can be seen that the export trend for the leather sector in India shows a slow recovery post the pandemic-related disruptions, with leather goods and footwear persistently being the main contributors.

In 2021-22, India's leather exports, which were valued at \$5.09 billion, were led by footwear and garments (Council for Leather Exports, 2022), but competition was faced from countries like China and Vietnam. According to the Council for Leather Exports (2022), India can increase its 10% global market share by investing in sustainable practices, modern technology, and branding. Since several government initiatives have been launched to boost the leather industry which include the Indian Leather Development Programme (ILDP) which bolsters technology upgradation and capacity building, the Mega Leather Cluster Scheme (2020) which encourages investment in large-scale leather parks, and Export promotion schemes like the Merchandise Exports from India Scheme (MEIS) which provide financial incentives for exports, the market for eco-leather is expected to

grow annually. Furthermore, the Leather PLI Scheme (2022-26) offers 5% production-linked incentives for leather product manufacturing, while the Clean Leather Programme encourages eco-friendly tanning.

(C) Gig Economy

Consisting of dancers, singers, musicians and traditional performers, the cultural gig economy continues to be a pivotal part of India's entertainment sector, which also attracts tourism. For example, Jaipuri songs, cultural dancers, Dhokra art and Gond paintings of the Bastar region of Chhattisgarh, Ziro of Arunachal Pradesh, and so on and so forth, drawing attention to the vast spread of gig workers across diverse areas of the country. As per a study of NITI Aayog (2022), there were approximately 20,000 gig workers who were engaged in cultural performances across India, mainly from Jaipur and Udaipur, which makes them a tourist-rich destination as aforementioned. These artisans are generational artisans showcasing different arts and traditions, which helps to draw tourists.

Looking at the origin of cultural performances in Rajasthan, it can be traced back to the Royal Courts and folk traditions, which have been preserved over centuries. Similarly, in Maharashtra, its native yet popular Lavani dance originated in the 17th century under the Peshwas (rulers), while even among tribal groups like the Kalbeliya tribe, an ancient folk dance existed in the form of the Kalbeliya dance. The beauty of these art forms is why they attract tourists, which can be attributed to the blend of these folk songs with modern beats, which attracts local, national and even international audiences.

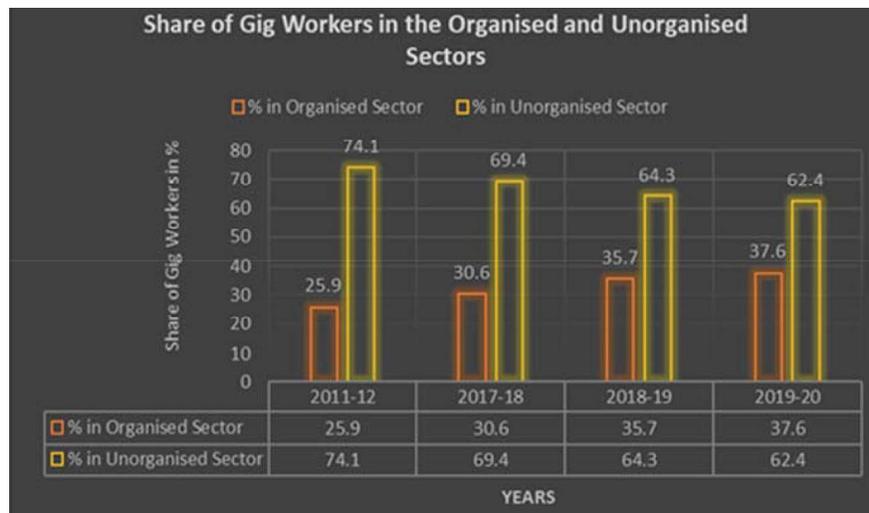


Figure 4: Share of Gig workers in the organised and unorganised sectors (Created by authors)

Source: NITI Aayog, 2022

Figure 4 demonstrates that the largest number of workers in the gig economy in India operate in the unorganised sector, while the percentage of those in organised, that is, contract-based sectors, is relatively extremely low.

Next, among the various factors affecting the gig economy, migration plays a major role. In 2011, the Census of India showed a 30% increase in migration from rural to urban areas, mainly in Uttar Pradesh, West Bengal, and Rajasthan. The various reasons why many artists migrate from rural to urban areas are for better opportunities in urban areas, limited access to infrastructure in rural areas and high income prospects in cities, even though most of the artists face exploitation and low wages in urban areas. As per the Ministry of Culture (2020), festivals like the International Folk Festival, Goa Carnival, and the Suraj Kund Mela showcase traditional performances, leading to a 25% increase in the incomes of performing artists during these events. The time of these festivals also marks the tourist season, but since this is seasonal tourism, the artists face a lot of income fluctuations. According to a report from the Federation of Indian Chambers of Commerce and Industry, FICCI (2021), artists can see their incomes rise by as much as 40% during festivals, but periods between festivals cause them significant financial instability, also promoting further migration during these periods back to the rural areas or joining some other gig work in the intermediate period.

Moreover, traditionally, performing arts are sustainable in terms of cultural preservation and their minimal resource consumption, as many performing artists use non-harmful materials for costuming and instrumentation. Performances like Chhau, Bhangra, and Baul songs are deeply connected to nature, with instruments made from organic materials. This is coincidental with the ongoing trend of eco-tourism, where the demand for traditional, eco-conscious performances is expected to rise. The gig economy, however, faces a lot of challenges. Despite authenticity and beauty in these traditional performances, gig workers often face competition from modern trends, threatening their cultural sustainability. Additionally, gig workers face a lot of challenges when it comes to their staple income levels. On average, they earn 8000-15000 INR per month (Labour Bureau, 2014), which is very low to sustain themselves and their families in urban cities. This prompts artisans to take informal loans, which in turn worsens their financial instability due to high rates of interest, dragging them into a debt trap and, at times, a poverty trap. Interestingly, despite the income obstacle, there is a rising supply of gig workers in the economy over the years, with the shift from cultural gig work to other forms of gig work, mainly in e-commerce platforms.

Tourism plays an imminent role in the lives of folk performers, as many of the cultural performers earn up to 70% of their annual income by performing at live events, which are aimed at international tourists (FICCI, 2021). These gig workers are also an integral part of state-sponsored tourism packages. However, on average, most of the gig workers stay disconnected from international markets due to a lack of digital literacy and infrastructure, due to ongoing modern changes like digitisation, which is threatening gig workers at an alarming rate (Ministry of Culture, 2020). Owing to this, the Indian government has implemented several initiatives to support gig workers in traditional performing arts, such as 'Digital Folk India' initiative in 2021, which aimed at training rural and tribal performers in using digital platforms and e-commerce to increase awareness among them, 'The Skill India' and the 'Pradhan Mantri Mudra Yojana' which helped train artisans and increase their visibility in international markets. Under the Pradhan Mantri Vishwakarma Kaushal Samman Yojana, artisans receive modern toolkit incentives worth ₹15,000 and undergo 5-7 days of basic training with a daily stipend of ₹500 (Ministry of Skill Development and Entrepreneurship, 2023). Thus, these initiatives aim to enhance the digital capabilities in line with Amartya Sen's capability approach, market accessibility, and overall sustainability of traditional artists across India.

To conclude, in order to safeguard the financial security, recognition and sustenance of gig workers in India, their formalisation is inevitable. Some steps already taken include platforms such as 'National Mission on Cultural Mapping and Roadmap', 'Gaana' and 'Natyashala', which allow musicians and dancers to sell their work online, organisations such as 'Kala Sangam' and 'Folks Art Revival', which have started employing artisans on a contract basis. The strategy of 'complement and not compete' can be followed through incentivising the formal sector to promote the growth of the informal sector. On widely used e-commerce apps like Paytm, Zomato and Book-My-Show, modifications to include tickets for cultural fests can be done, which is how the gig economy can be merged in the formal sector.

(d) Handlooms

The handloom sector in India employs 3.52 million people with 2.8 million looms, thereby becoming the largest cottage industry and the second-largest employer in rural areas (Fourth All India Handloom Census, 2019-20). Over the years, India's rich heritage has become widely known due to the emergence of several hubs like Varanasi for Banarasi silk, Kanchipuram for silk sarees, Pochampally for Ikat, and Chanderi for silk-cotton sarees and so on.

Proving to be sustainable, the handloom weaving technique uses almost negligible amounts of water or energy as it relies on natural existing materials

such as cotton, silk, and wool, making it eco-friendly. Additionally, as natural dyes do not adversely affect the environment, they create negligible waste. Thus, sustainable fashion gives an opportunity for environmentally conscious customers to look for more eco-friendly options. Apart from this, handloom textiles enhance the cultural experiences of tourists through their cultural heritage, fostering an appreciation for regional workmanship. Though the promotion of indigenous textiles can uplift the socio-economic status of weavers, there hovers the threat posed by globalisation and lower appeal to new generations due to westernisation.

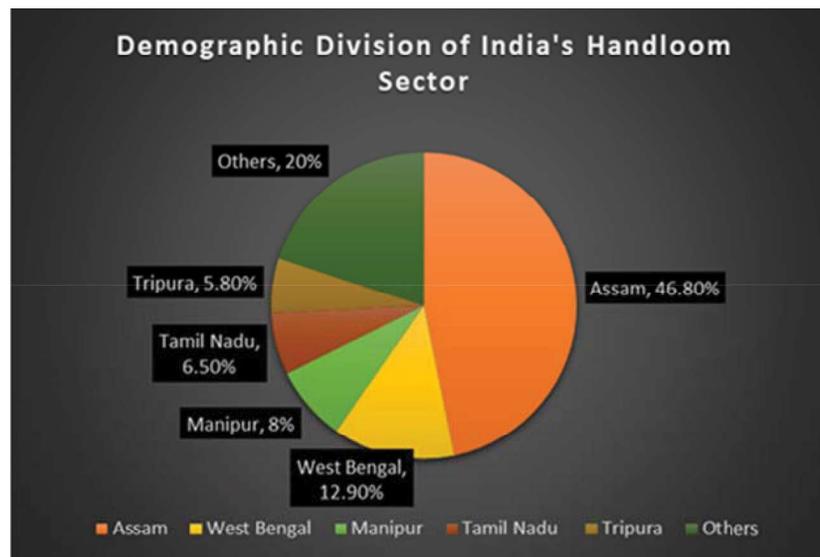


Figure 5: Demographic division of India's handloom sector (Created by authors)

Source: Ministry Of Textiles, GOI (2019)

In Figure 5, the pie chart demonstrates the demographic segregation of India's handloom sector, with Assam occupying the majority share of 46.80%, followed by West Bengal as the sole state possessing 12.90% of the total share.

As the next step to appeal to the future generation, it is fundamental to restructure the handloom sector so that handlooms are better recognised and access to them in the market increases. There is an increasing need to formalise this industry through directed government initiatives. One of the government policies taken in this direction is the National Handloom Development Programme, which aims towards funding procurement for technology, marketing, training, and infrastructure for the handloom sector. Another policy is the Handloom Weavers' Comprehensive Welfare Scheme, which gives health and life insurance as social security benefits. The Micro Units Development & Refinance Agency Ltd. (MUDRA) Scheme provides loans with low interest rates so that weavers would be able to expand their enterprises, and a rebate is also given on the sale of high-quality yarn sold

through the Yarn Supply Scheme under this very scheme. Other programs initiated by state governments include Tamil Nadu's Co-optex program, Uttar Pradesh's One District One Product, and Gujarat's Garvi Gurjari Scheme, among others.

(e) Pottery

Informal sector constitutes 82% of India's total labour force, and within this share, pottery comprises a major share with 50% to 60% of potters being rural-based, residing in Uttar Pradesh, Rajasthan and Gujarat. As per statistics, around 1 million artisans in India are employed in pottery, with the average pottery family income being 50,000 to 1,00,000 rupees annually, which is well below the national average (Labour Bureau, 2014). Based on the regions from where they originate, different pottery techniques and patterns have evolved, for example: blue pottery in Rajasthan, terracotta in West Bengal, and earthenware in Gujarat, used for local cooking and storage purposes. Notably, regional studies have shown that artisans in Rajasthan report higher incomes due to tourism than their counterparts in Uttar Pradesh and Gujarat, who primarily sell locally, highlighting the importance of tourism in the proliferation of the pottery sector and the incomes of the potters.

Primary data collected through semi-structured interviews revealed that for most of the potters, the craft was handed down from generation to generation, leading to an emotional connection with their work. Further, interviews revealed that 70% of artisans expressed pride in their heritage, with 90% intending to pass their skills to the next generation. Nowadays, however, due to mass-production techniques in ceramics, there is a 40% decrease in demand for handmade pottery in urban markets (Niti Aayog, 2022). Despite all this, the International Organisation for Migration (2015) highlights a 40% rise in rural to urban migration due to weak agricultural prospects in rural areas, mainly because of low incomes. Rural to urban migration often leads to artisans facing competition in urban markets, since they struggle to adapt to new consumer demands. Some of them even shift to the formal sector because of their expectations of better work opportunities and stable income, even though not all of them are able to secure jobs in the formal urban sector.

The demand for pottery is mainly seasonal in nature, depending upon festivals like Diwali and Durga Puja, during which the demand for diyas (earthen lamps), etc., surges, thereby leading to a 30% increase in production. Due to its seasonality, there exists income instability throughout the year, which was also reported in the Ministry of Micro, Small and Medium Enterprises (2019-20). Like handlooms, pottery is a sustainable industry that uses natural resources like clay. A report by the Ministry of Micro, Small and Medium Enterprises (2019) also highlights that promoting eco-friendly

crafts could create a 15% growth in demand for handmade goods, including pottery.

Next, moving on to the artisans' earnings, artisans on average earn a monthly income of 6,000 to 10,000 rupees, which is significantly below the poverty line in urban areas (Labour Bureau, 2014). Now, owing to their low incomes, 78% of artisans take informal loans with high interest rates up to 36% per year, initiating a vicious debt trap. The absence of financial contingency funds dampens the effect of loss in business, which makes this sector vulnerable. In the current situation, start-ups take advantage of the growing demand for eco-conscious consumer goods by promoting sustainable ceramic products on online platforms. This can be exemplified by Rare Planet, Chumbak, Dastkar, and Tattva Creations. Companies like Rare Planet connect artisans with retail giants like Reliance and Amazon, helping them sell their goods directly to consumers, ensuring that artisans gain formal direct market access to consumers.

Therefore, to bolster the pottery sector in India, the government has come up with export promotion schemes like the Merchandise Exports from India Scheme (MEIS) and the Trade Infrastructure for Export Scheme (TIES) to boost the export of handicrafts, including pottery. Skill development initiatives like 'Skill India' and 'Make in India' are undertaken to bridge the digital literacy gap, indirectly enhancing productivity. Micro Units Development and Refinance Agency (MUDRA) loans under Pradhan Mantri Mudra Yojana (PMMY) give access to low-interest loans, thereby providing financial support to potters who have very low average monthly incomes. The Geographical Indications (GI) tag safeguards regional, traditional pottery designs by granting artisans exclusive rights to produce specific products, based on their geographical location.

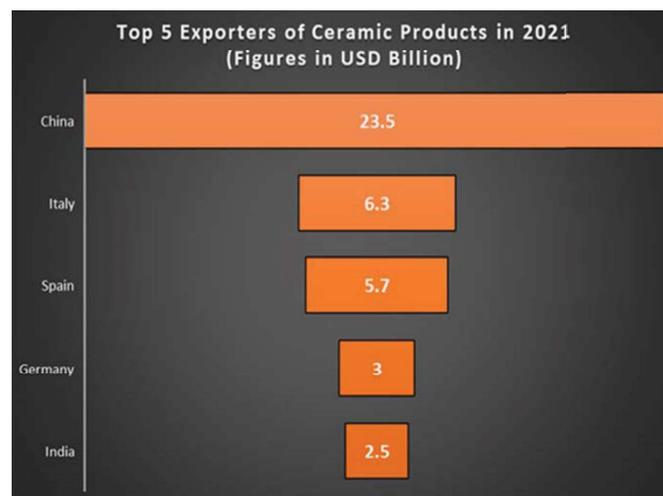


Figure 6: Top 5 exporters of ceramic products in 2021 (Created by authors)
Source: Development of Ceramic Park, Government of Gujarat (2024)

Figure 6 shows India as the fifth largest exporter of ceramic products in 2021, while also showing India's comparatively small share of the world market for ceramic exports, highlighting the fact that many pottery businesses still operate informally, and so there is a growing need to formalise this sector for a better reach to the market.

5.2. Correlational & Regression Analysis

5.2.1. Correlational Analysis

The purpose of correlation analysis is to examine whether the two variables of the analysis move in the same direction or not. For example, in this case, if higher levels of tourism lead to higher income generation for various sectors. Table 1 depicts the correlational analysis wherein *GVA* represents Gross Value Added (GVA)* or Income, *tourism* measures the impact of tourism on income, and *loanaccess* measures the impact of loan availability for workers on income. Gross Value Added (GVA) measures the value of goods and services produced in a sector after taking into account costs involved in production, that is, input costs, and is used here as an indicator of sectoral income.

	<i>gva</i>	<i>tourism</i>	<i>loanaccess</i>
<i>gva</i>	1		
<i>tourism</i>	0.7493	1	
<i>loanaccess</i>	0.8879	0.6639	1

Table 1: Correlational Analysis

Source: Authors' own estimates

The following analysis can be made using Table 1, where it is found that income or GVA is positively related to tourism with a high correlation coefficient of 0.7493, which also matches the intuitive understanding. However, correlation does not imply causality and therefore, regression analysis is later performed to check the causality. Next, Table 1 shows that there exists a high, positive correlation between income and loan access, with the correlation coefficient being 0.8879. This is because access to loans ensures more finance available to informal workers to purchase inputs, complete big orders, increase their presence by participating in fairs and local markets, and manage seasonal fluctuations more effectively.

Last but not least, the correlation coefficient of 0.6639 between tourism and loan access indicates a strong positive relationship between tourism activity and credit access to the informal workers. This is because tourism amps up demand for local goods and services, thereby urging informal workers to take loans. As a result, government and other microfinance institutions may be more interested in extending loans in tourism-heavy areas, with the notion that those sectors will be better equipped to generate higher incomes and thus more prepared to repay loans. Thus, tourism indirectly fosters financial inclusion within informal enterprises.

5.2.2. Regression Analysis

The purpose of regression analysis is to examine and analyse the independent impact of tourism and loan access on income levels, as well as the combined effect of tourism and credit access on income in the model. Here, a cross-sectional regression analysis for 10 states for 2021-22 is performed, where *gva* is the dependent variable, and *tourism* and *loanaccess* are the independent variables.

The rationale behind taking tourism and loan availability as the explanatory variables emerged from the primary data collected in the form of interviews. The interviews reflected that the demand side growth was driven by tourism, while the ability to reduce seasonal volatility was determined by the availability of credit. The variables were also tested for outliers and propositional consistency before estimation. Further, multicollinearity tests justified the use of tourism and loan access as independent explanatory variables.

Model Fit and Significance:

gva	Coefficient	Robust Standard Error	t	P > t
tourism	3.9232	1.5284	2.57	0.037*
loanaccess	1.7837	0.2587	6.89	0.001**
Number of Observations	10			
Prob > F	0.0008			
R-squared	0.8341			

*5% significance **1% significance
Ordinary Least Squares Method is used to run regression

Table 2: Regression Analysis

Source: Authors' own estimates

Table 2 reveals that the p-value is 0.0008, which indicates that the model is statistically significant even at 1% level of significance. This highlights that the model is fit and highly significant to be used. Additionally, the R-squared value of the model is 0.8341, which means that the combined effect of loan access and tourism on income or GVA variation is around 83.41% which is again high. Moving ahead, it can be observed from Table 2 that the tourism coefficient is 3.9232, indicating income increases by approximately 3.92 units for a unit increase in tourism. Independently, tourism is statistically significant at 5% level of significance. Next, the coefficient for loan access is 1.7837, signifying around a 1.78 unit increase in income for a unit increase in loan access. Independently, loan access is statistically significant at 1% level of significance.

The findings of the regression model intersect with the proposed qualitative analysis, which suggested that tourism and the availability of credit are important factors affecting income for the informal sector. The high positive correlation between loan accessibility and GVA explicitly shows the importance of financial accessibility for the growth of income because the availability of more loans implies that the workers can expand their ventures, and it is also essential for the formalisation of their informal sector. Moreover, the high positive correlation between tourism and income implies that tourism plays a significant role in the existence and expansion of the informal sector. Therefore, while formulating policies on the expansion of the income of the informal sector, policymakers should be mindful to take into account credit access and the tourism infrastructure.

6. Conclusion

On the basis of the trend analysis, it can be safely stated that tourism has emerged as a pivotal factor for the formalisation of the informal economy in India by surging demand for local crafts. For example, duty-free shops at airports attract both domestic and international tourists, thereby creating a direct market for local artisans and urging them to adopt formal business practices in compliance with the regulatory standards. Even though tourism has occasionally adversely affected the informal economy due to commercialisation and displacement, as was visible during the G20 hosted by India in 2023, where lots of local artisans were displaced, tourism still remains a magnificent driver of growth for the informal workers.

The same idea is reinforced by the correlational and regression analysis, which indicates that workers with greater tourism access or located in tourist-dense regions, and easier access to loans, usually show an increase in their incomes. This observation is of economic importance and congruent with the interview responses noted during the interviews, where artists acknowledged the positive impact of tourism and credit accessibility.

Furthermore, the correlational analysis shows that with an increase in tourism, access to loans becomes a prerequisite in order to purchase raw materials in bulk, fulfil larger orders, participate in local markets or fairs, and manage seasonal fluctuations more effectively, as discussed. Additionally, the rising trend to blend culture with business proves to be advantageous for the informal sector as the organised sector seeks to gain visibility and profitability by collaborating with the informal workers due to their rich portrayal of local art and craft. One way of formalisation is where companies create new revenue streams by promoting and selling tickets to regional shows, exhibitions, and artisanal events, and also help increase audience reach for informal workers. For instance, platforms like Zomato have already begun doing this by offering tickets to local shows on their app, effectively increasing awareness and footfall for such events. The benefit of this formalisation is that it can help bridge the gap between the informal talent and mainstream markets.

Moreover, social media campaigns highlighting crafts like traditional paintings have attracted international demand, thereby facilitating export opportunities in recent years. Some ways in which social media can help bring about the formalisation of the informal economy include incentivising formalisation through support for e-commerce platforms like Etsy and CraftsVilla, as these platforms provide spaces for local craftsmen to reach international markets without high overhead cost, thereby reinforcing the idea of 'Complement and Not Compete'. Moreover, efforts to formalise the informal economy align with SDGs Goal 1 (No Poverty), Goal 8 (Decent work and economic growth) and Goal 11 (Sustainable cities and communities). All in all, India, as a whole, sits in a transitional phase: some parts (Delhi, Agra, Jaipur, Goa, Kerala and Tamil Nadu) have high tourism development and might see informal work rise with more tourists, other parts, like the Northeastern states, remain underdeveloped, and tourism can help reduce informality by creating formal jobs. Therefore, since India exhibits both dynamics simultaneously, region-specific tourism policies and targeted formalisation strategies are required. These targeted policies are aimed at resulting in positive spillover effects, including job creation and economic stability, through formalising the informal sector. Thus, they contribute to a trickle-down effect that benefits the local economy in the long run.

6.1. Policy Recommendation

Through the analysis so far, tourism can be redefined as a possible institutional link between structured market systems and informal livelihoods rather than seeing the two as fundamentally opposite domains, and this is how the study adds to the body of current research. According to the study, tourism-related demand can progressively lessen economic vulnerability without undermining traditional craftsmanship or cultural identity if it is backed

by funding and policy. The policy implications arising from this study are grounded in the specific barriers described by artisans and supported by sectoral income analysis, and these recommendations aim to mitigate those hurdles. Several measures are needed to cater to the formalisation needs of the informal economy.

Firstly, each state should establish a Statutory Artisan Welfare Board, which will be responsible for grievance redressal, welfare of informal workers, and growth facilitation, which includes training, marketing for artisans and effective implementation of schemes such as PM Vishwakarma and MUDRA. A key responsibility of the board would be to develop and maintain a verified, state-wide digital database of artisans, which will be seamlessly integrated with the eSHRAM portal and Aadhaar, to ensure targeted and transparent delivery of benefits. The export potential of the traditional sectors can be unlocked by introducing an Export-Oriented Micro Development Policy. Integrating these enterprises in the global value chains can be achieved by providing direct export subsidies, simplifying the complex and technical export processes through single-window digital portals for documentation, IEC (Import Export Code) issuance, and customs clearance.

Secondly, state governments, together with Common Services Centres (CSCs), should organise Digital Literacy Bootcamps designed in the indigenous language of artisan communities, to bridge the digital divide. Formal partnerships with platforms like Amazon Karigar, Flipkart Samarth can help artisans take their first steps into e-commerce. At the local level, district handholding cells should assist with essentials like GST registration, high-quality product photography, packaging guidance, and logistics.

There are, however, limitations to the presented study, especially in terms of the data collected. This is because the primary data collected through the semi-structured interviews is limited. The scope of this paper can be significantly strengthened in the future by delving into further research and incorporating panel data across multiple years to capture the impact of policy interventions. Furthermore, examining the effectiveness of government in post-pandemic recovery contexts would further enrich our understanding of barriers to formalisation and financial access in tourism-driven informal sectors.

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