

Crisis and the Informal Economy: A Case Study of West Bengal, India

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Abstract: In this article, we explore how crises affect the vast, heterogeneous informal economy. We have studied folk singers, artisans, retailers, petty manufacturing units, service providers, and construction workers across different zones of West Bengal through in-depth micro-case studies that focus on the severity of their vulnerability, their contexts, and their economic conditions. We have conducted a telephone survey at different time points during the COVID-19 pandemic. The findings clearly show that while the informal economy as a whole is highly vulnerable to external shocks, the nature and intensity of this vulnerability are far from uniform. Instead, they are shaped by the specific conditions under which different occupations operate. Vulnerability in the informal economy is structurally generated, not incidental, stemming from the interplay of significant market dependency, fragile asset bases, and insufficient institutional support, all of which are exacerbated during crises. Therefore, treating the informal sector as a homogeneous category obscures important differences and may lead to policy responses that fail to address the specific needs of different groups.

Keywords: Informal economy, Petty production, Crisis, Covid-19, India.

1. INTRODUCTION

Crisis is inevitable under capitalism. In the last 100 years, we have witnessed various crises, from the Great Depression and the East Asian Crisis to the Global Financial Crisis and Covid-19. However, Covid-19 is not merely due to capitalism; rather, it unveils the deep fissured structure of the Indian economy (Kundu et al., 2021). The outbreak of this novel Coronavirus has changed the dynamics of the entire world due to its contagious nature, spreading across the globe. ILO (2020) estimates show that earnings are expected to decline by 60 per cent globally and by 82 per cent in lower-middle-income countries in the absence of income support measures. The miseries of developing nations from lockdown measures are proving more severe, owing to the engagement of their massive populations in the informal economy and, consequently, their employment's dependence on daily market exchanges. The informal economy includes precarious workers such as casual, contractual, and daily wage workers in industrial, construction, mining, transport, sanitation, service, textile, agriculture, and several other sectors; piece rated workers such as domestic workers, artisans, and other self-employed or own-account workers such as rickshaw pullers, auto, and car drivers, carpenters, plumbers, electricians, street-vendors, hawkers, and fishermen, etc. With a large chunk of the potential customers of the informal sector staying at home right now and withdrawing from non-essential expenditures or spending it on e-commerce websites, the survival of informal sector units is becoming questionable with each passing day. It is estimated that the COVID-19 pandemic has significantly impacted almost 1.6 billion workers in the informal economy. India's vast informal sector, the largest in the world, employing close to 90% of its working population, has been facing the adverse effects of the Janata Curfew. ILO(2020) estimated that around 400 million workers in India in the informal economy are at risk of falling deeper into poverty during

the crisis. The vulnerability became more visible when millions of migrant labourers walked back hundreds of miles home, proving fatal for many. Quoting Chakraborti and Dhar, "As the surplus appropriators turned away from the plight of the surplus performers during the lockdown, the surplus performers have turned toward their rural homes" (Chakraborti and Dhar, 2020)

The characterisation of the Informal economy is diverse and multifaceted. This informal sector is viewed as an engine of growth, and mainstream researchers have emphasised its complementary role in subcontracting with the formal sector (Marjit and Kar, 2011). In contrast, Chatterjee and Sanyal have used the Marxian notion of primitive accumulation to explain the continued expansion of the informal sector despite the rise in formal sector employment opportunities. Informal employment also increased in the organised sector in recent years, as a result of Globalisation. The share of informal workers rose from 32 per cent in 1999-2000 to 60.4 per cent in 2011-12 of all non-farm organised sector employment; this rise was driven by the rigidity of labour laws (ILO, 2019). Another group of heterodox authors posits that the formal sector exports overaccumulated capital to the non-capitalist space and continues the process of accumulation by extracting cheap resources through market-driven resource conversion or a direct/forceful resource grab, ultimately constricting large parts of the informal sector (mainly the rural/traditional micro firms). As the common resources are appropriated, the dispossessed population becomes the castaways, the neo-nomads. The very logic of unbridled accumulation, with ever-increasing capital intensity, bars these 'refugees' from entering the 'shining' circles of modernity. These development refugees have no other option but to occupy public spaces; these outcasts constitute the informal sector. (Chakraborti, 2016; Kundu et al. 2021). The conflict has been crystal clear in this humanitarian crisis.

According to the CMIE 2020 report, 122 million jobs were lost in April 2020. As a result, small traders and daily wage labourers lost 91 million jobs. A survey by Azim Premji University shows that around 230 million Indians slipped below the national daily minimum wage threshold of 375 rupees.

Thus, the livelihoods of millions of workers were affected, and informal workers are the most vulnerable to this crisis, including a large proportion of women and youth, who tend to work in low-paid, low-skilled jobs. Various reports and studies indicate that the poor and lower-middle class, who engage in the informal economy, suffer the most.

This study adds to the existing literature in three important ways. First, it offers micro-level, time-sensitive insights into how incomes have changed across different segments of the informal economy. Second, it draws attention to the fact that vulnerability is not uniform, challenging the common tendency to treat informal workers as a single, homogeneous group. Finally, it shows how the lack of reliable institutional support, combined with the specific nature of different occupations, can deepen and prolong livelihood insecurity during periods of crisis. The paper is organised as follows: the next section deals with methodology, followed by separate case studies, and finally, we conclude.

2. METHODOLOGY

This study adopts an exploratory micro-level approach to examine the impact of crisis across different segments of the informal economy in West Bengal(a sub-national state of India). It focuses on four distinct groups: Baul folk performers, indigenous handicraft artisans and retailers, sericulture farmers, and informal service providers in order to capture the diversity within informal livelihoods.

We selected 35 units using a snowball sampling approach, making sure to include a range of occupations to reflect the diversity within the informal economy. The aim here is not to make broad generalisations, but to develop a grounded understanding of how different groups experience and cope with crisis in their own specific contexts. Primary data were collected through telephonic interviews conducted at different points over the course of the pandemic. We tracked changes in income¹ across four phases: the pre-COVID period (2019–20), the initial lockdown in 2020, the relaxation period later that year, and the second lockdown in May 2021. Alongside income, we also gathered information on basic consumption, savings, and access to social security to get a clearer picture of the respondents' overall economic condition

¹ (all figures are in Indian Rupee. 1 \$= 95.24 Indian Rupee, as on 25 May, 2026)

3. CASE STUDIES

3.a. Bauls of Santiniketan

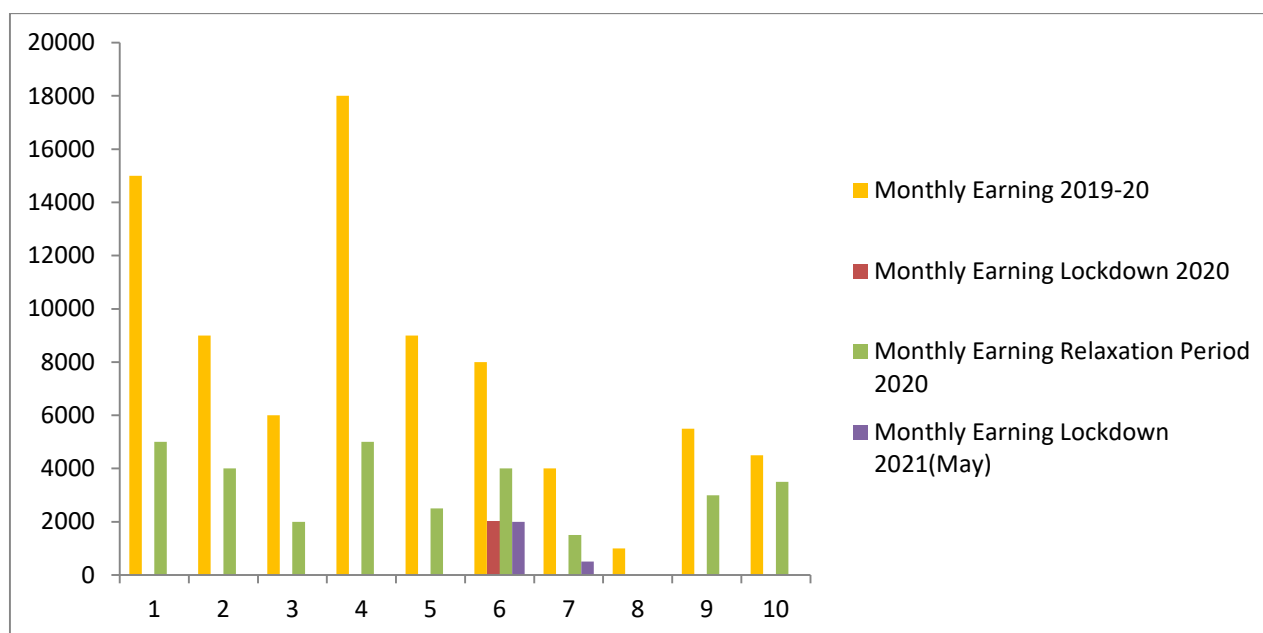


Figure 1: Income levels of Bauls, authors computed from collected data

Baul has been an integral part of Bengali culture for a long time. Singing and dancing are part of these iconoclasts' and humanists' expression, a movement in action. In Tagore's words, "The Bauls are an ancient group of wandering minstrels from Bengal, who believe in simplicity in life and love. They are similar to the Buddhists in belief in a fulfilment which is reached by love's emancipating us from the dominance of self" (Tagore 1931). In 2005, UNESCO included Baul singing in their list of the world's masterpieces of oral and intangible heritage. Their akharas or establishments are mainly informal, and most of them depend on *Madhukori*, singing for alms in and around different parts of West Bengal, Bangladesh, and Assam. We have selected 10 Bauls from Santiniketan (now Bolpur's twin town; Santiniketan is a UNESCO World Heritage site).

From our Figure 1, we can see that there are differences in pre-COVID income levels: some earn more, some less. Nowadays, in addition to local performances, many Bauls are engaged in a variety of festivals and professional stage shows, and sometimes perform outside India. So, these factors make the difference. However, on average, their income levels have fallen by 97% and 96% during the respective lockdown periods and by 61% during the relaxation period. This sharp decline is closely linked to the nature of their livelihood, which is almost entirely dependent on mobility, public gatherings, and tourism-driven cultural markets. In correspondence with all activities coming to a halt, specifically, the lack of tourists in Santiniketan (at present UNESCO's heritage site) and the lockdown of *Shonajhuri Haat* (a popular weekly local fair) make it pretty evident that neither the people came to listen to their music nor the Bauls have any option of wandering around for their livelihood amidst this pandemic. Unlike many other informal occupations, Baul livelihoods are highly skill-specific and culturally embedded, leaving little scope for diversification into alternative sources of income. The fall in incomes (between the pre-COVID and relaxation periods) was greater for the higher-earning Bauls, as mobility outside the home and professional performance were also completely restricted. Seen through the lens of vulnerability, this group reflects a combination of high market dependence, negligible asset buffers, and minimal institutional support. As Baul is a way of life, primarily hereditary, and has no other skill or orientation to diverse alternative opportunities, the pandemic put shackles on their already constrained livelihood, virtually forcing them into an impoverished state. In the words of a Baul- "if lockdown continues, we might have to go begging". This observation underscores not only income loss but also the erosion of dignity and occupational identity, which are central to this form of cultural labour.

3.b. Indigenous Handicrafts of Santiniketan

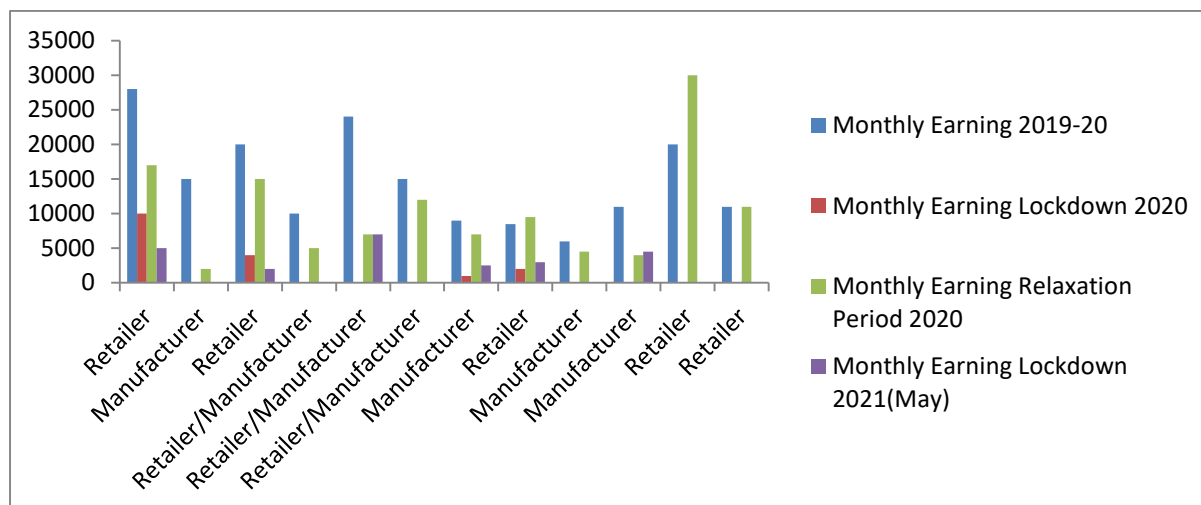


Figure 2: Income levels of Handicraft artisans/retailers, , authors computed from collected data

Bolpur –Santiniketan has been very popular in Bengali culture for its handicrafts and cottage industries since the beginning of time. The exquisite crafts of the region are manufactured by local people and sold in *haats* (local markets) and small shops. These indigenous artisans are self-employed and rely solely on the sale of their products for income.

We have collected 12 samples from small retailers and manufacturers of handicrafts, such as jewellery and Kantha-stitched items, at the famous *Shonajhuri Haat* and *Srijani Silpagram* (two famous tourist spots). In the wake of the pandemic and the decline in tourism in Santiniketan, this segment is facing definite problems. The vulnerability of this group is closely tied to their heavy dependence on localised physical markets and tourism-driven demand.

There has been a significant decline in the income levels of this segment, undoubtedly because they now have nowhere to sell. Only 2 of our samples have reported diversifying their market online; however, they have sold only through personal relationships. This limited shift to online platforms highlights a broader digital divide, where lack of access to technology and digital skills constrains adaptation during crisis conditions. On average, income levels have dropped by 90%, 30%, and 86% in the respective periods of lockdown 2020, relaxation 2020, and lockdown 2021 (May) relative to levels prior to the pandemic. As they are petty retailers/artisans in village markets/fairs, they were already depleting their working capital by buying products/raw materials from wholesalers before the lockdown began. As the markets are nearly closed, they have nothing left in their pockets. This points to a second layer of vulnerability: low asset and savings buffers, limiting their ability to absorb prolonged income shocks. During our discussion, we asked about technology adoption in online selling. In response, they said they are not well-equipped with smart features, and some of them don't even have smartphones.

So, many of their products became piled up and unsold. The accumulation of unsold inventory further deepens the crisis by locking up already scarce working capital, creating a cycle of liquidity constraints and reduced future production. In the words of Alpona, who is a small artisan-cum-retailer, 'it could have been better if we die from the virus, rather than hunger.' Our survey found that most retailers depend on small artisans for their products; as a result, both are being severely affected by the pandemic. This interdependence within the production and distribution chain implies that shocks are transmitted across linked informal units, amplifying the overall impact.

3.c. Informal Services of West Bengal

The informal economy accounts for a significant share of the population engaged in providing a variety of services. This heterogeneous group depends entirely on daily market exchanges, and with all kinds of activities coming to a halt, their primary occupation is at stake. This segment is particularly sensitive to short-term demand fluctuations, as earnings are directly tied to the frequency and nature of everyday transactions.

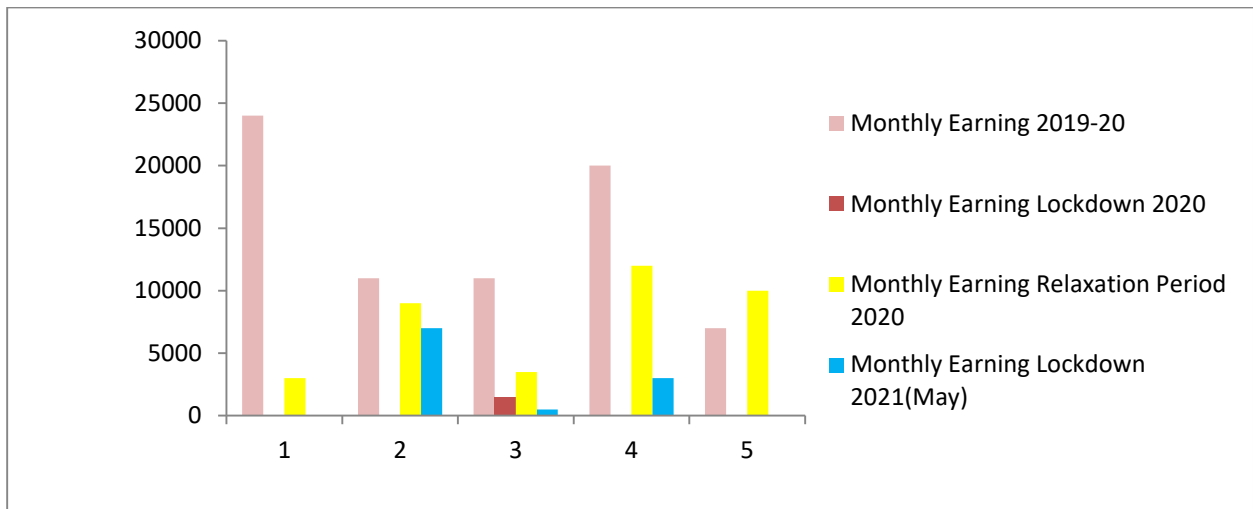


Figure 3: Income levels of the Toto/ e-vehicle pullers, , authors computed from collected data

We have chosen 13 households engaged in 5 respective informal services across various districts of West Bengal.

Toto or e-vehicles have become an essential form of local transport, replacing rickshaw pullers. So, we have surveyed 5 Toto drivers living in and around the Birbhum and Bardhaman districts of West Bengal. In addition, we have surveyed five construction workers or masons/mistrys: one from Bolpur, two from the N 24 Parganas Rajarhat area, and two migrant labourers from Malda district who worked in Bombay and Kerala. Their primary occupation is mainly casual and contractual workers in the construction sector. Further, we have interviewed 3 different kinds of service providers- washerman, hawker, and plumber.

An extreme irregularity in earnings has been observed among our samples, with most reporting an absolute zero in the consecutive lockdown periods. A few totowalas/ e-vehicle pullers have earned during the lockdown by providing basic services. However, during the relaxation period, their income has dropped by 51% as people avoid public transport. This pattern reflects both the collapse and partial recovery of demand, with essential mobility services remaining marginally available. At the same time, behavioural changes, such as fear of contagion, continued to suppress demand even after restrictions were lifted.

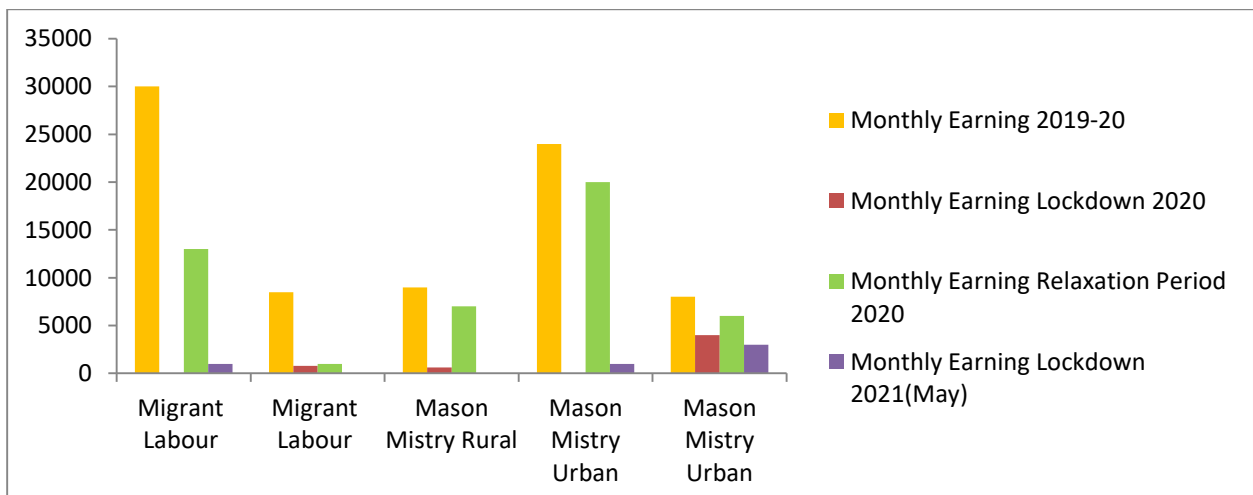


Figure 4: Income levels of construction workers, authors computed from collected data

Furthermore, we have looked at the changing income patterns of informally self-employed service providers. Their income pattern is similar to the rest of the group, recording a 49% drop in their earnings from pre-COVID to relaxation period scenarios (Figure 4). The lockdown gives government service holders some spare time while they are staying at home. So, some well-off people start building new homes or renovating their existing ones; as a result, demand for construction work

reverses to some extent. This limited recovery highlights the uneven nature of demand revival, driven largely by upper-income households rather than a broad-based economic recovery. However, this is not uniform for all workers. Those who have returned from big cities and often work with networks/contractors outside the city for better wages are now earning less in their locality. This suggests that migrant workers faced an additional layer of disadvantage, as the disruption of urban labour networks reduced access to higher-paying opportunities and forced them into more competitive and lower-paying local labour markets.

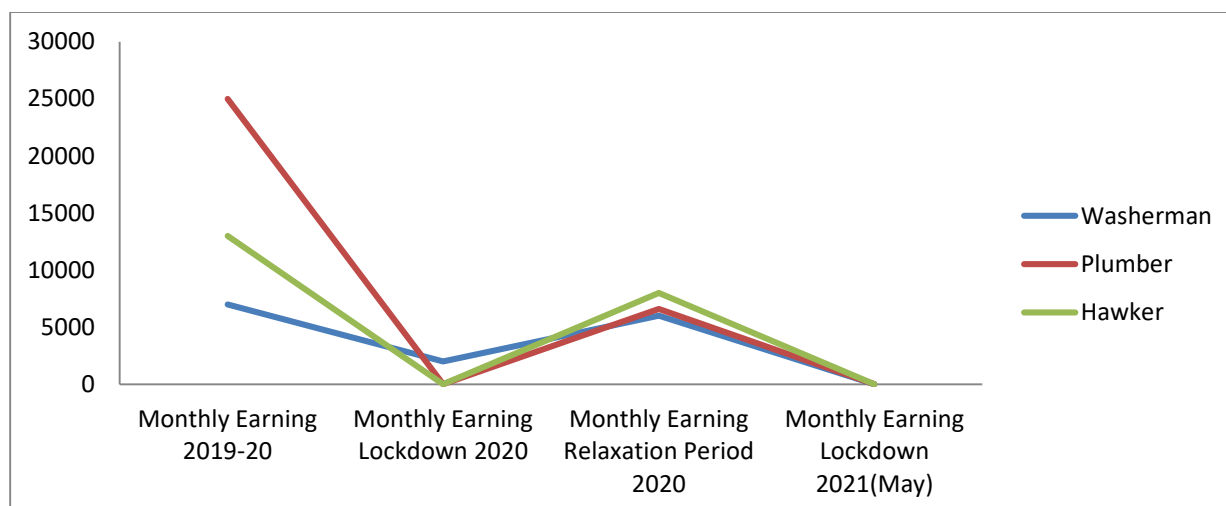


Figure 5: Income levels of various service providers, authors computed from collected data

Figure 5 shows that income declines are evident across three types of service providers. However, the severity is higher for plumbers, followed by Hawkers and Washermen. As people avoided outside services except for very urgent cases, plumbers' demand fell sharply, and their income dropped more during the relaxation period than at pre-COVID levels. The sharper decline for plumbers indicates that services perceived as non-essential or deferrable experienced a more prolonged contraction in demand. The Hawkers have an option to diversify their products from readymade foods/snacks to packaged water and goods, so they were able to manage the fall in demand to some extent. This relative resilience points to the role of occupational flexibility in mitigating income shocks within the informal sector. The washerman too got some relief due to his fixed customer base, though a few of his regular customers are not demanding his services to avoid the contagious virus. A stable customer base thus acts as a partial buffer, though not sufficient to prevent income decline under prolonged uncertainty. Within the informal service workforce, income fluctuations differ across contexts, but vulnerability and uncertainty are common across all. Taken together, this segment illustrates how varying degrees of demand elasticity, occupational flexibility, and network dependence shape differentiated outcomes within the informal service economy, even under a common external shock.

3.d. Sericulture Farmers of Murshidabad

Murshidabad is the second-largest silk-producing district in West Bengal, bearing a legacy of producing Mulberry and domestic silk commonly known as *Ressam* in India. In the post-independence period, attempts were made to revive this agro-based cottage industry to expand rural employment and income opportunities. About 20,000 families in the blocks of Khargram and Nabagram in Murshidabad district, West Bengal, are engaged in sericulture. We have chosen all the different kinds of agents in this industry.

Most sericulture farmers, reelers, and weavers sell their output to local merchants and have no access to organised markets. The exploitation of *Mahajans* (intermediaries) and silk merchants is a major problem in the Murshidabad silk industry. This structural dependence on intermediaries places farmers in a weak bargaining position, where market access is mediated rather than direct.

We have surveyed seven households of sericulture farmers from Khargram and Nabagram over the telephone for this study. These silkworm farmers produce disease-free eggs 5 times a year and must sell their entire crop at whatever price they are

offered due to a lack of storage capacity and the short-term nature of their product. The perishable nature of their output further reinforces this asymmetry, as the inability to store or delay sales compels distress selling under unfavourable conditions.

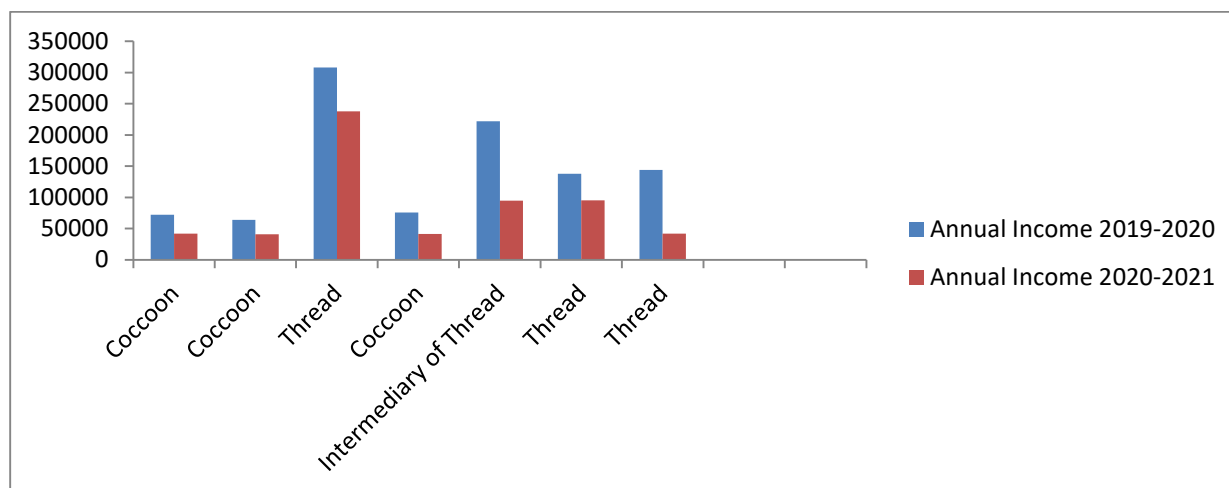


Figure 6: Income levels of various agents in the Sericulture cluster, authors computed from collected data

There has been a 58% decline in the annual income of sericulture farmers and reelers since 2020. The sample for our survey consists mostly of marginal farmers with half to one acre of land. Until 2019, they informed us that they received technical support for cocoon rearing, including subsidised eggs and advice on their production process, from the Central Sericulture Department in Murshidabad. After the pandemic, this support has significantly decreased. The withdrawal or weakening of institutional support thus emerges as a critical factor, reducing both productivity and resilience in the face of crisis. After the onset of the pandemic, farmers are witnessing two broadly categorised problems: resorting to local eggs for cocoon rearing has reduced their productivity by half, and a regressive price movement for their produce due to a demand problem. This indicates a dual shock on both the supply side, through declining productivity, and the demand side, through falling prices, which compounds income losses.

Furthermore, the local eggs are being sold by influential intermediaries at higher prices. The number of *Mahajans* (Local traders) is also decreasing during the COVID-19 period, with many refusing to buy farmers' produce. Even after they have managed to arrange a buyer, weighing the crop is done behind closed doors with no transparency, and the farmers are being forced to accept whatever price they can get. Such practices point to intensified forms of interlocked transactions and market opacity during crisis conditions, further deepening existing power asymmetries. A consequential demand shock is transmitted across a significant segment of this sericulture industry, with both productivity and prices reduced by half. This segment reflects a convergence of high market dependence, absence of collective bargaining, fragile asset positions, and weakening institutional support, in which pre-existing structural constraints are not only exposed but also significantly amplified during crisis periods.

4. SAVINGS AND SOCIAL SECURITY

We have computed the savings and social security status, as these are the last alternatives or last resort for informal segments. In the absence of stable incomes, savings and social security function as the primary buffers against economic shocks. The social security status is quite similar to that of the savings status of our samples. Even if they have enrolled for their respective transfer incomes, most of them complained about irregularities. If we treat the minimum sum kept aside for precautionary motives as savings, we found that most of our samples do not even have that shock absorber. This indicates an almost complete absence of precautionary reserves, leaving households highly exposed to even short-term disruptions. As a matter of fact, most of them are barely meeting their essential consumption expenditure based on scattered small amounts of loans from acquaintances. Such dependence on informal credit networks reflects a shift from income-based sustenance to survival through borrowing, often under fragile, uncertain conditions. Moreover, a negligible source of earning for two consecutive years left this penniless mass of population indigent.

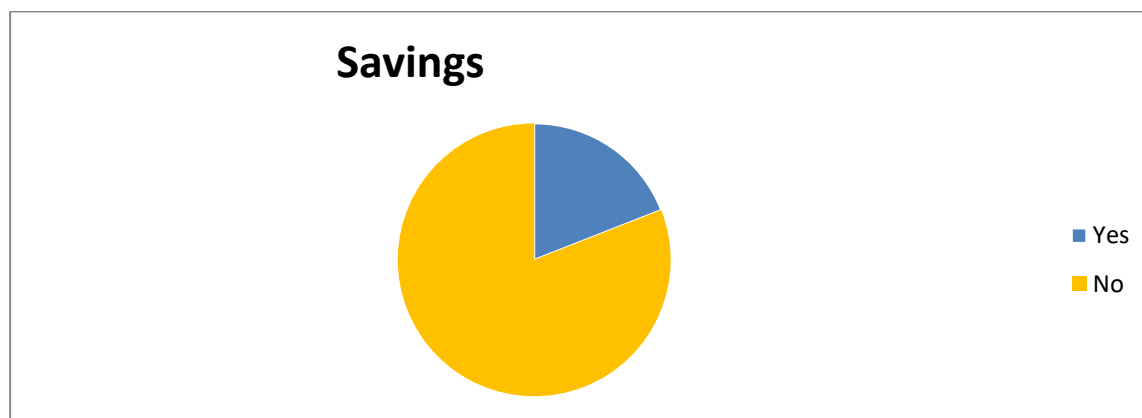


Figure 7: Authors computed from collected data

The savings status among Bauls and informal service providers is utterly non-existent, with only two of the samples reporting savings of 12 thousand and 4 thousand rupees in the pre-COVID period, and another complaining about losing a sum in a chit fund. One of the Totowala has reported taking a loan to build his home, but has ultimately been left unable to complete it. An urban mistry reported recently taking a 50,000 loan from Bandhan Bank to meet his consumption needs. These instances suggest that borrowing is increasingly being used not for productive investment but for basic consumption smoothing, indicating deep financial distress. There were negligible savings among handicraft retailers-manufacturers, and sericulture farmers mostly kept their businesses rolling in the pre-COVID period. The erosion of working capital across these groups further reduces their ability to restart or sustain economic activity post-crisis. Having resorted to meeting basic consumption needs after the pandemic, they are now left with a zero balance.

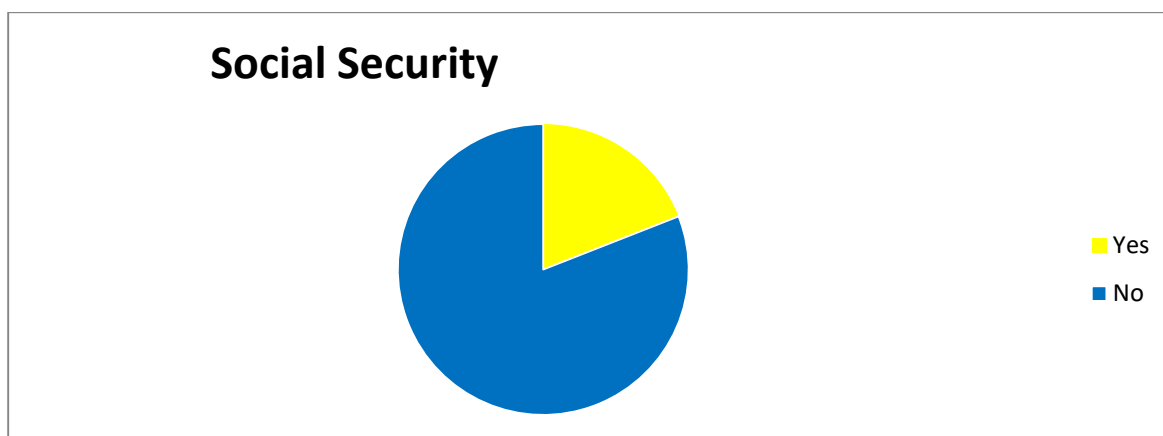


Figure 8: Authors computed from collected data

The social security status is quite similar to that of the savings status of our samples. Every person in our study is entitled to a government food ration. Few have enrolled for their respective transfer incomes; most have complained about irregularities. This suggests that while nominal coverage exists, effective access to social protection remains limited and unreliable. As in our first case study of Baul, four out of ten receive cash transfers of Rs 1,000 every month, but irregularities in payment are found. At the same time, 1 sample in our second case is getting Rs 1500 transfer under the 'Yuvasree' scheme of the West Bengal Government. So, barring a few, most respondents are not receiving any safety net. The findings point to a critical gap between policy intent and ground-level implementation, where inadequate and irregular support fails to function as a meaningful safety net during prolonged crises.

5. CONCLUSION

In this article, we examine how crises affect different segments of the informal economy, using micro-level evidence from West Bengal during the COVID-19 period. The findings clearly show that while the informal economy as a whole is highly vulnerable to external shocks, the nature and intensity of this vulnerability are far from uniform. Instead, they are shaped by the specific conditions/circumstances under which different occupations operate. Across the case studies, three interrelated factors emerge as fundamental in explaining these differentiated outcomes. First, the degree of market

dependence plays a crucial role. Occupations such as Baul performers and handicraft artisans, which rely heavily on physical markets, mobility, and tourism, experienced near-total income collapse when these channels were disrupted. In contrast, segments of informal services showed partial recovery, depending on demand elasticity and the essential nature of the services provided. Second, the asset and savings base of households significantly influenced their ability to cope with prolonged disruptions. The near absence of precautionary savings across most groups meant that even short-term income losses translated quickly into distress. The erosion of working capital, particularly among artisans and small producers, further constrained their capacity to resume economic activity, pushing many into cycles of borrowing merely to sustain basic consumption. Third, the role of institutional support emerges as both critical and inadequate. While some forms of assistance—such as food rations and limited cash transfers—were available, their reach and reliability remained uneven. In sectors like sericulture, the weakening of institutional support had direct consequences for productivity and incomes, compounding the effects of market shocks. The gap between policy intent and actual delivery significantly reduced the effectiveness of these measures as safety nets. Taken together, the findings suggest that the vulnerability in the informal economy is structurally generated, not incidental, stemming from the interplay of significant market dependency, fragile asset bases, and insufficient institutional support, all of which are exacerbated during crises. This also implies that treating the informal sector as a homogeneous category obscures important differences and may lead to policy responses that fail to address the specific needs of different groups. From a policy perspective, the study points to the need for more reliable and accessible social protection mechanisms, greater support for building asset buffers among informal workers, and improved market access, including digital integration and networks. More broadly, the findings highlight the importance of recognising heterogeneity within informality, both in academic analysis and in policy design.

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