Identification of Informal Economic Sectors in Quetta City
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ABSTRACT
This paper aims to identify the informal economic sectors in Quetta City, which has not been done before. Twenty-five semi-structured interviews were conducted with the relevant decision-maker officials of the Government of Balochistan and Pakistan. The researcher transcribed the interviews verbatim; thematic analysis was used to draw the results. Furthermore, the desk review method was used to justify the sector’s identification for the informal economy. The literature on the Pakistan Standard Industrial Classification, Pakistan Statistical Bureau, Stats Rules, State laws, and State Ordinances were considered in desk review. The study contributes to the existing knowledge about the informal sector classification; the study asks unique questions about the importance of the informal sector and government work, which cannot be asked quantitively. The study highlighted the informal sector classifications and identified the sectors containing informal business activities. The study justified the alternative aggregation for the informal economic sectors from the International Standard Industrial Classification, 2008. The qualitative data indicated many examples of informal activities in Balochistan province, which helps to identify the informal sectors of Balochistan and Quetta city. The research analyses each sector; the sector was eliminated and included with particular logic and reasons. The research identified 11 sectors suitable for informal economic activities in Quetta City. The study highlighted the illegal economic activities carried out in the city, which the authorities must monitor.

Keywords: Informal economic sectors, Industrial standard classification, Quetta, ISIC, PSIC, Illegal Economy

1 Introduction
The historically informal economy was first exposed in Africa in the 1970s. The informal economy has been debated since the 1970s because it is a dynamic and changing phenomenon (Chen, 2006). Hart (1973) pioneered the concept of a hidden economy. The informal economy is a “parallel economy,” “unofficial economy,” or “clandestine economy,” which prevails besides the formal economy (Mughal, Khurrum, and Schneider, 2018). Researchers used many terms for this phenomenon, like the unnoticed, irregular, underground, and shadow economies. Porta and Shleifer (2014) highlighted a few unpleasant facts about the informal economy. Firstly, it is gigantic in developing countries. Secondly, it is a less productive segment of the economy. Thirdly, it hinders the growth of business enterprises because any business venture’s growth is impossible without a formal economic setup.

The informal economic sector is a multidimensional concept dealing with different segments of the business environment (Perry et al., 2010). Sassen (1994) described the informal economy as profit-generating economic activities outside government regulations. The illegal, unrecorded, unreported, and informal economies overlapped, but there is a slight difference between these terms. Ahmed and Ahmed (1995) defined the terms of an illegal economy in the business of socially and ethically illegal things, like wine, drugs, prostitution, and weapons. The unreported economy avoids taxes; the unrecorded enterprises are not registered with authorities and avoid rules and regulations. In contrast, the informal economic sector combines unrecorded, unreported economies. (Giovannini, Young, and Korolev, 2002). Businesses must comply with government regulations and laws (Chen, 2012). The legal professions are further subdivided into formal and informal groups. The current explanation of the informal economy meaningfully excludes illegal economic activities and non-legal income generation, sometimes considered part of the informal economy (Schneider & Bajada, 2005). Some industries have a higher percentage of informal economic activities in developing countries (Schneider, 2007).

Economic activities are grouped to make a sector or industry; the process of categorizing economic activities is known as industrial classification. (Bashir, S., Sadiq, W., Zafar, H., Murtaza, A., & Naseer, P. 2022)
Industrial classification encompasses a society's economic and social aspects and serves categorization best in a social economy (Icaza & Tiribia, 2003). This categorization method is more straightforward than others and is frequently easier to measure than those concepts of the formal economy (Bromley & Wilson, 2017; Sindzingre, 2006; Ypeij, 2000). There are many industrial classifications; most nations follow few of them.

Pakistan follows the International Standard Industrial Classification (ISIC) pattern for industrial classification for formal economic activities; the classification is known as the Pakistan Standard Industrial Classification (PSIC). Baluchistan Government follows PSIC for only formal economic activities. After a detailed literature review, the researchers found no separate classification of informal economic activities. Literature pointed out that a large informal economy is a crucial issue of Pakistan's weak economy, and the weak economic condition of Pakistan is a point of concern for policymakers. The research paper is focused on identifying the informal economic activities and separate informal and illegal economic activities of Balochistan in general and Quetta City in particular. The study will contribute to the policymakers dealing with the large informal and illegal economy, which can be regularized and included in the tax net of the province. It is the first study of this type not only for Balochistan but also in Pakistan.

2 Literature Review:

William Petty created the first economic sector theory in 17th-century Britain (Clark, 1940). The "three-sector hypothesis" emerged due to an economy quickly modernizing and expanding worldwide, where more people were working outside farms, mines, and factories. The three-sector theory places the extraction of raw materials as its primary sector, production as its secondary sector, and supply chain management and distribution as its tertiary sector (Clark, 1940; Aleen, 1939). The connection between the material production of various economic sectors was central to historical materialism. Making a clear distinction between the manufacturing and agricultural/extractive sectors became the norm. However, in the 20th century, as critical industrial economies experienced upheaval, it became evident that a more nuanced knowledge of sectors was required. (Khan, M. A., & Siraj Bashir, M. M. U. R., 2022)

In order to comprehend economic evolution and new consumer demand features that went beyond the fundamentals of manufactured and agricultural goods, Allan Fisher originally defined the tertiary sector (Fisher, 1939). Since the "services" sector was first suggested to describe economic activity other than manufacturing, mining, and agriculture, it has been around 80 years. It created the fundamental distinction that is the basis for understanding economic structure today. Typically, the primary sector consists of environmentally sensitive extractive activities like mining and agriculture. The several manufacturing procedures required to create "goods" from primary sector products are called the secondary sector. The international industrial standards were first discussed at the International Labor Conference conducted by the International Labor Organization in the 1920s; after a decade, in the 1930s, the United States adopted these initial industrial classifications for economic activities.

The conventional three-sector concentration of the literature is seen to benefit from being sharpened. Given that different types of services are gradually taking over today's sophisticated economies, it will be vital to make this distinction (Herrendorf et al., 2013). It has either added more sectors, accepted or criticized services that do not fit into the bigger model, or called for reforms at the periphery in response to the three-sector model's failure and the services sector in general. The tertiary or services industry includes everything from banking and legal services to retail, hospitality, and waste management. Even though the "three-sector theory" is mainly unknown to the general public, Wolfe (1955) asserts that it is now "linguistically pervasive." It is also reasonably robust.

It began the "sectoral-structural approach," a school of economic theory that Kenessey (1987) claims was particularly influential in the early political economies of Adam Smith, David Ricardo, Karl Marx, and James Mill. FIRE (finance, insurance, real estate), government administration, and "services" make up Kenessey's fourth sector, which in the previous Standard Industrial Classification included everything from hotels to theme parks and healthcare to computer programming (SIC). The World Bank and the Central Intelligence Agency (CIA), whose databases are frequently shown in the three sectors, are typically used to access global economic data. The concept of the services sector, whose effects transcend industry or sectorial economics, is even more resilient (Bryson, Daniels, & Warf, 2013). The paradigm has persisted in dominating development studies due to the clear link between the expansion of the services sector and GDP (Eichengreen & Gupta, 2013). The Standard Industrial Classification System (SIC), the North American Industrial Classification System (NAICS), and the Global Industrial Classification Standard are just a few industrial classifications that group industries globally.
The International Standard Industrial Classification (ISIC), which was developed to encompass practically all industrial activity, is used by many countries. However, the ISIC is primarily recognized by the world's population. Other international organizations, such as the International Labor Organization (ILO), the International Monetary Fund (IMF), and the United Nations Organization for Food & Agriculture Organization (FAO), also use this classification (ISIC, 2010). ISIC categorizes producer units according to their primary activity type, often the main class of goods produced or services provided. ISIC categorizes primarily by an output-type criterion. At the granular level (classes), the ISIC categories are defined according to most countries’ typical combination of activities reported in statistical units. The classification structure largely determines the extent of price collection for the sample unit. In order to offer data for a specific economic sector as identified by the classification system, the sample unit is selected. A four-digit ISIC (International Standard Industrial Codes) industry is included in the sample frame, and the statistics agency chooses representative goods under the four-digit product scope (Young et al., 2004). In 1958, the United Nations developed the two-digit ISIC classification for its member countries. This method, which was based on production and establishment units, was adopted by numerous nations. Over time, the United Nations Statistical Division made five revisions to the International Industrial Classification.

Revision 1 was published in 1958
Revision 2 was published in 1968
Revision 3 was published in 1989
Revision 3.1 was published in 2002
Revision 4 was published in 2008

United Nations defined the term sector, System of National Accounts (SNA) 1993, 2008, from two different perspectives; first, in terms of economic activities, a sector is a group of similar activities of services or products that have specific homogeneous characteristics to meet economic purposes, roles, and behavior. Sometimes, these economic sectors are referred to as the industry. Second, an institutional sector refers to a group whose organizational framework identifies the basis for analysis and policymaking but whose products, such as a household, may not be comparable. (Bashir, S., Shah, N. A., Karim, H., Farooq, K., & Ahmed, Z. N. (2021) The 2008 International Standard Industrial Classification classifies the economic sectors in Table 1.

<table>
<thead>
<tr>
<th>Sector</th>
<th>sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. A</td>
<td>Agriculture, forestry, and fishing</td>
</tr>
<tr>
<td>1. B</td>
<td>Mining and quarrying</td>
</tr>
<tr>
<td>1. C</td>
<td>Manufacturing</td>
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<tr>
<td>1. D</td>
<td>Electricity, gas, steam, and air conditioning supply</td>
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<tr>
<td>1. E</td>
<td>Water supply; sewerage, waste management, and remediation activities</td>
</tr>
<tr>
<td>1. F</td>
<td>Construction</td>
</tr>
<tr>
<td>1. G</td>
<td>Wholesale and retail trade; Repair of motor vehicles and motorcycles</td>
</tr>
<tr>
<td>1. H</td>
<td>Transportation and storage</td>
</tr>
<tr>
<td>1. I</td>
<td>Accommodation and food service activities</td>
</tr>
<tr>
<td>1. J</td>
<td>Information and communication</td>
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<tr>
<td>1. K</td>
<td>Financial and insurance activities</td>
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<tr>
<td>1. L</td>
<td>Real estate activities</td>
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<tr>
<td>1. M</td>
<td>Professional, scientific, and technical activities</td>
</tr>
<tr>
<td>1. N</td>
<td>Administrative and support service activities</td>
</tr>
<tr>
<td>1. O</td>
<td>Public administration and defense; compulsory social security</td>
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<tr>
<td>1. P</td>
<td>Education</td>
</tr>
<tr>
<td>1. Q</td>
<td>Human health and social work activities</td>
</tr>
<tr>
<td>1. R</td>
<td>Arts, entertainment, and recreation</td>
</tr>
<tr>
<td>1. S</td>
<td>Other service activities</td>
</tr>
<tr>
<td>1. T</td>
<td>Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use</td>
</tr>
<tr>
<td>1. U</td>
<td>Activities of extra-territorial organizations and bodies</td>
</tr>
</tbody>
</table>

ISIC categories can be combined in various ways, such as by grouping classes or condensing the classes of selected groupings into fewer, less intricate classes. It may occasionally be helpful or required to have categories incorporating ISIC classes at the most granular level of national categorization. It may occasionally be helpful or required to have categories incorporating ISIC classes at the most granular level of national categorization. It is possible that certain ISIC classifications that distinguish between different activity groups are not significant enough in a specific nation. The statistical units’ operations could also be much less specialized than those required to employ particular ISIC classes in the national system (ISIC, 2010).

Alternative aggregation entails classifying economic activities into subcategories distinct from the standard ISIC classification for specific purposes or practices. Informal economic activities are not included in all economic
classifications but can be present in any sector. Alternative aggregation methods are utilized for the informal sector. Similarly, there is an alternative aggregation for nonprofit organizations (NGOs). A further alternative aggregation will focus primarily on the Media and information and communication technology (ICT) (ISIC, 2010). Cross-classification (alternative classification for informal economic activities) and International standard industrial classification can provide valuable supplementary information. There is a framework for alternative data collection on the informal economic sector. This framework aggregates activities into groups suitable for further examination of the informal sector. According to ISIC (2010), informal economic activities are not present in all ISIC-defined sectors but a few with more informal economic activities. Specifically, the informal sector is not explained by this aggregation. According to the ISIC 2008, 2010, there are few industries where the informal economy is prevalent. The sector contains a percentage of informal activities: Manufacturing, Construction, wholesale and retail trade, repair of motor vehicles and motorcycles, transportation and storage, accommodation & food service activities, and other service activities.

The informal economy’s transactions in the manufacturing, repair services, and trade sectors are statistically significant. In developing nations, the informal economy under these groups differs from the formal economy in developed nations, particularly regarding gender discrimination and child labor (Benazir, BiBi, et al., 2021). Speeches of leader do influence decision making (Ramzan et al., 2023). In order to show numerical data and focus on industrial activity, the 2008 version of the International Standard Industrial Classification explored the grouping of informal economic units; the aggregation presents these three activities separately. In some sectors and sub-sectors, ISIC (2008) introduced cross-classification (alternative aggregation); however, it may not encompass all informal activities; it can vary from country to country and region to region. For instance, alternative aggregation excludes financial and insurance operations, but in some parts of the world, financial lending and insurance are conducted in the informal sector (ISIC, 2008).


Pakistan's gross domestic product (GDP) is estimated and calculated according to the SNA and ISIC guidelines; income, expenditure, and production approaches are applied to the GDP calculation. The economic activities are classified according to ISIC guidelines (Asif, 2011), which means there is already intense contact between Pakistan's economy and ISIC. Pakistan's official primary data collection and management organization is the Pakistan Federal Bureau of Statistics. The organization collects and manages data that aids other government departments in Pakistan with decision-making, planning, research and development, resource distribution, and budget allocations based on practical and efficient information. The FBS publishes primary and secondary data on Pakistan's economic and social aspects. Annually, the FBS publishes data regarding the child labor census, population census, industrial growth, national accounts, inflation, and labor force. Bad happenings made people bitter and being expressive about it helps reduce effects (Javaid & Mahmood, 2023a,b). Social media enhances motivation for young people (Ramzan et al., 2023). Pakistan Bureau of Statistics only calculates the informal labor annually in the labor force survey using PSIC classification; other than this; there is no data separately about the informal sectors (Labor Force Survey, 2021-22).

Classifying economic activities into subgroups is the art of grouping similar activities; in Pakistan, the Pakistan Standard Industrial Classification (PSIC) is responsible for classifying economic activities. The fourth assessment of the Pakistan Standard Industrial Classification parallels the most recent classification, the International Standard Industrial Classification of All Economic Activities (ISIC) (2010). ISIC Rev. 3 and ISIC 1998’s suggestions laid the foundation for PSIC 2007 development. All categories at every level of the classification are mutually exclusive.

An essential feature of PSIC & ISIC is that it provides the details of all previous revisions to understand the differences and upgrades; the coding system is not changed in any version of PSIC and ISIC. There are unchanged names of the sectors, divisions, groups, and sub-groups in all the versions of PSIC & ISIC. The coding system is gradually defined as sectors tabulated by letters A, B, and C, whereas the 2-digit category is called divisions. The 3-digit category is known as a group; the 4-digit category is called a class; in a few sections, the classes are further divided into sub-classes (ISIC, 2014).

The Bureau of Statistics, the Planning & Development Department, and the Government of Balochistan adhere to Pakistan's standards of industrial classification for economic planning and measurements in Balochistan. The
classification of the Balochistan Government is the same as the classification of the Federal Government. Many federal and provincial laws, ordinances, rules, and regulations apply to the economy of Quetta City.

3 Methodology:

The study is exploratory and investigates the informal economic sectors of Quetta City. In order to achieve the objectives of the study, the desk review method and semi-structured interviews are used. Semi-structured interviews involve asking the participant several questions and discussing several issues that are significant to the topic of the study. In order to examine emerging concepts, themes, and categories against the following data and to adjust along the way, interview tapes were verbatim transcribed and reviewed for accuracy in this study as data were evaluated concurrently with data collection (Merriam, 2002). The Desk review approach allows the use of the information collected by other individuals and institutions to support the arguments and achieve the research objectives. Existing laws, ordinances, rules, regulations, and available literature support the arguments in research analysis (Moore, 2018). The literature pieces of evidence and qualitative data prop the study results. The available valuable literature is used to justify the sector's informality in the study.

Purposive sampling is used because the informants who met the requirements for this process phase are approached. The selection of the cases that make up the sample is based on the researcher's judgment and is known as purposeful sampling. The choice of sample size in qualitative research entirely depends on the questions and study purpose. However, Saunders et al. (2011) state that the sample size can be chosen depending on the study type; for semi-structured interviews, the minimum number of interviews is 5 to 25, whereas 12 to 30 minimum interviews can be conducted for studies on the topic. Nevertheless, Saunders et al. (2011) state that the sample size can vary depending on the type of study being conducted. A minimum of 12 to 30 interviews can be conducted for studies, although the requirement for semi-structured interviews is 5 to 25. Interviews were conducted in the national language, Urdu, to clarify the topic. Initially, the interviews were transcribed, and the data were interpreted and analyzed. The qualitative data related to the industrial sectors for informal activities were separated and presented in the discussion to support the research objectives. The interviewer gave the interview guide to the interviewees a week before the interview scheduled date so that the interviewees read the interview content and gave in-depth answers to the study's questions. 30 government professionals were selected for the interview, and only 25 were interviewed.

The researcher interviewed the Chief Economist of Balochistan, three joint chiefs of sections, chiefs of sections of the Planning & Developments Department, a chief economist of Federal PSDPs, the chairman of the Balochistan Revenue Authority, top officials of SMEDA Balochistan, a member of FBR, and a senior official of the Balochistan Bureau of Statistics in order to comprehend the province economic classification system. The following is an analysis of the aforementioned industrial sectors.

Four methods are used for the industrial sector classification; adaptation is one of them. The adaptation method of sector classification was used; it is the scientific procedure in which the structurally adopted sector's classifications are modified to reflect a region or country’s economic and social characteristics. The adaptation procedure includes eliminating sector or sectors, disaggregation of any sector, aggregation of sectors, and inclusion of categories to a particular sector; it is the logical rearrangement of economic sectors. (ISIC, 2010)

The steps involved in finalizing the procedure of the ISIC classifications are as follows;

Step No 1: The primary review of the classification of the sectors, general analysis, conceptual structure, and explanation of the sector.

Step No 2: Logical explanations of the sector or sectors need to be modified concerning the previous classification (with explanatory notes if needed)

Step No 3: Reasons or justification for the inclusion, reclassification, or elimination (qualitative or quantitative data can be used)

The formal sector's data was for reference; it was available to the Planning & Development Department of the Balochistan Civil Secretariat for the province. The adaptation method is used to identify the informal sectors in Quetta. The study's respondents are government officials involved in policy formulation and implementation; it is the researcher's ethical obligation to ensure that they comprehend the purpose of the study. Using pseudonyms for the interviewees was done considering the ethical nature of the research.
1. The methodology for the sector categorization involves four types: A Adoption: uses the existing categorization for sectors, national and international; B Adaptation: using existing categorization, then can (Eliminate, Disaggregate, Aggregate, or Include any sector) with particular logic and reason.; Update: In this technique, the sector mainly remains unchanged conceptually and structurally but can be redefined by adding any particular element; D Maintenance: The sector already adapted or updated is adjusted according to any change (ISIC, 2008).

4 Analysis:

A. Sectors excluded from the informal economy

<table>
<thead>
<tr>
<th>Formal Sectors</th>
<th>Reasons to Exclude</th>
<th>Literature Evidence</th>
<th>Evidence from Qualitative data</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Agriculture, Forest, Fishing</td>
<td>Quetta City is not an appropriate location for learning about agriculture and forestry. Similarly, there is no river or sea near Quetta City, so fisheries cannot be found there. Literature and Qualitative data support that this sector is not included in the informal classification.</td>
<td>Section A includes Agriculture, Fishing, and Forestry; this sector is irrelevant to calculating the informal sector because agriculture is already excluded from the United Nations' definition. Despite being the largest industry in the world's economies and being virtually dependent on the informal sector, as defined by the United Nations legislation on the informal economy, agriculture is not considered a part of the informal sector (15th ICLS resolution, 2002). The informal sector enterprise is defined as Small unincorporated businesses that are owned and run by (a) employees on their own accounts or (b) employers with fewer than ten employees (agricultural not included) (Labor Force Survey Pakistan, 2021-22). 2.34. Many nations do not include agricultural and related activities in their statistics and measurements of the informal sector (ISIC, Rev. 4, Section A; U.N., 2008c).</td>
<td>Agriculture exists in almost every part of the world, most out of the tax net; in only a few centuries, agriculture and forestry have been taxed and come under government control, or we can see some corporations forming. The Government of Baluchistan typically supports increasing agriculture production but collects much less tax. In contrast, the forest is only 2% of the total area of Baluchistan, which is far less than it should be due to the climate and soil dynamics of Baluchistan. Baluchistan has a long coastal line for fishing, but other than the coastal line, there are no proper fishing areas in Baluchistan. (Respondent K)</td>
</tr>
</tbody>
</table>
2. Mining & Quarrying

| Mining is a crucial sector for Baluchistan province but out of Quetta city. Formal or informal mining is not part of Quetta City's economic activities. | The second category is Mining & Quarrying in the PSIC and ICIS classification, which is unacceptable for the informal sector of Quetta city; it can be found in District Quetta out of the City like Marwar and Dagari areas but not in Quetta city. A subclass of this sector involves the mineral's sale and marketing. This section is also eliminated to measure the informal economy of Quetta City (BBS, 2021) (FBS, 2010) (PSIC, 2007) (ISIC, 2014) (Labor Force Survey, 2020-21). | An illegal or informal economy exists in the mining sector of Balochistan. It is to be stopped; a proper computerized system should record the quantities of extracted minerals. It can be called informal activity if any firm is not registered with the mines department, extracting the minerals without a license and following the defined procedure. The illegal or informal mining sector is not directly present in Quetta City but can be viewed in surrounding areas of Quetta. So, it can be concluded that Quetta City has no informal mining activity. (Respondent H) |

3. Electricity, gas, steam, air conditioning supply

| The power, oil, and gas sectors are primarily state-owned; private businesses working in this sector are allowed after fully formal prerequisites. Literature desk review and qualitative data support the argument that this sector is not part of the informal economic sector. WAPDA & K-Electric are Pakistan's two-generation and distribution authorities besides solar energy. The solar penal business lies in the retail section. There will be a policy soon about solar energy in Pakistan. | No private entity is permitted to operate a firm in electricity production, as per National Electricity Policy 2021, 2013, without the Power Division Government of Pakistan's NOC. The government has complete authority over the production and distribution of electricity. The oil and gas ministry was responsible for oil and gas extraction, sales, and ownership. (Presidential Order on Acquisition and Transfer, 1961). According to Article 172 of Pakistan's 1973 Constitution, the federal and provincial governments received equal ownership and distribution rights later in 2010. (Ordinance of 2022, Oil & Gas Regulatory Authority) Anyone other than the holder of a Pakistani license to transport petroleum may receive any petroleum. (1937's Petroleum Rules). | Pakistan follows these international standards, but some provincial governments have changed the classification according to need and authority. Moreover, for example, focus on the power sector, especially electricity and gas. Electricity and gas production is a federal subject; these departments' control is with the Federal Government, not the provincial setup. So what it means is that Pakistan and Balochistan follow these standards but have made changes as needed. A small amount of Liquified Petroleum Gas (LPG) is smuggled and sold in a few areas of Balochistan, which is illegal. (Respondent G) |
4. Information and communication

All print and electronic media must be registered with the Ministry of Information of the Government of Pakistan. In comparison, social media is not part of this section.

PEMRA grants licenses for the following types of broadcast media and distribution services: international- and national-scale stations; provincial-scale broadcasts; local area or community-based radio and television broadcasts; specific and specialized subjects; distribution services; and up-linking facilities, including teleporting and digital satellite news gathering. (PEMRA ordinance 2002).

Media is controlled and closely monitored at the Federal level; some tasks to control information and communication are with the Baluchistan government. (Respondent G)

5. Financial and insurance activities

Financial activities, including banking, insurance, money exchange, microfinancing, mutual funds, investment companies or banks, discounting houses, and loaning, are only allowed subject to having a license from regulatory authorities; otherwise, the business will be illegal, not informal.

The Financial Monitoring Unit (FMU) in the State Bank of Pakistan (SBP) was established to monitor and control all financial transactions in the country under the light of the anti-money laundering Act 2010 (amended in 2021) and to counter the financing of terrorism (CFT). It is not allowed to run any financial business unregistered in the country, including money exchange (AML Act, 2010). Pakistan was on the black-list of the Financial Action Task Force (FATF, 2021). Unregistered financial activities are illegal instead of being considered informal in Quetta City.

In Quetta City, money lenders work illegally, generally known as payment Karobar. A sizeable illegal activity of money exchange is also carried out across the province; dollars used to flow from Pakistan to Afghanistan and Iran illegally by Hawala & Hundi, which needs to be stopped by FIA and other government agencies. (Respondent R)

6. Professional, scientific, and technical activities

Professional organizations employ scientists with a technical education background; these organizations are capital-intensive huge businesses. The sector may find some technical or professional workers, but the sector Pakistan Engineering Council registered engineers of all types (Engineering Bye-laws, 1976). All doctors who are professional degree holders must have records and registrations with the Pakistan Medical Council.

According to respondent G, professional degree holders work in large corporations and big firms, not part of small-scale enterprises or low-salary workers. The nature of the professional workers is more legal and registered. (Respondent J)
4. Overall lies in an illegal economy for the people working without registration. (Pakistan Medical Commission Act, 2020). Lawyers are registered with Pakistan's legal system, and the Scientist must be registered with the Pakistan Science Club (Science & Technology Act, 1965).

7. Administrative and support service activities

| These are some particular types of services mainly at the industrial level; these services are not part of the informal economy and small businesses. | Renting and leasing of both tangible and intangible assets is included by this group, which includes renting out homes, sporting and recreational equipment as well as cars. This category includes renting out business gear and, equipment and intellectual property. (BBS, 2021) (FBS, 2010) (PSIC, 2007) (ISIC, 2014) All leasing and rental companies shall register with Pakistan's Security and Exchange Commission. (The Leasing Companies, Establishment and Regulations, 2000) | The leasing and rental firms working in the construction businesses and mining industry are formal and working with no objection Certificate in Quetta. (Respondent B) |

8. Public administration and defense; compulsory social security

| Baluchistan is divided into many districts for administration control; deputy commissioners run all districts. Any activity running the city or administration will be illegal, not informal. | Defense, public administration, and social support activities are typically government-related. (Constitution of Pakistan, 1973) | No one in Quetta or Baluchistan can keep a private army or run any state affairs without the government's permission. Even the body can keep a weapon without the weapon license and its tax. (Respondent F) |

9. Arts, entertainment, and recreation

| Art entertainment and recreational activities at the individual level are not measurable, observable, or recordable. Sports activities usually are not measurable. | Gambling and betting are prohibited in Pakistan; Casinos are banned in Pakistan (Prevention of Gambling Act 1977). Parks are under the control of the government. Museums, archives, and heritage are state property. A private-person lottery system is prohibited (Federal Shariat court decision 2014). | This is the most challenging sector for measurement as an economic activity; much of the art, entertainment, and recreation are not measurable as individual-level activity. (Respondent S) |
10. Activities of extra-territorial organizations and bodies

This group includes non-governmental organizations from the United Nations and other countries that operate in Pakistan; these are not operating informally.

The Ministry of SAFRON regulates all NGOs and United Nations organizations in the country, with the NOC and security clearance of the Ministry of Interior. (Commissionerate of Afghan Refugees, 2017)

The NGO sector is registered with the Government of Pakistan, but at the provincial level, the Government of Balochistan issues no objection certificates to the NGOs working in Balochistan. A separate directorate is appropriately working to look after the issues of the NGO sector. (Respondent K)

B. Sector included in the informal economy.

<table>
<thead>
<tr>
<th>Informal Sectors</th>
<th>Reasons to include</th>
<th>Evidence from Literature</th>
<th>Evidence from Qualitative data</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Manufacturing</td>
<td>Quetta City manufacturers are mostly not registered with any registration authority. Only a few pay taxes and most do not maintain formal accounts systems.</td>
<td>Manufacturing is the second largest sector for informal activities. ISIC Alternative Aggregation 2008</td>
<td>An informal economy is an economy that is not registered like all the many services, trade, and manufacturing sectors that are not registered with the Government in Balochistan, so these sectors can be considered informal economies; therefore, the government cannot tax these economic activities. Consumer goods like Barkey items, shoes, and garments are primarily informal. Manufacturing raw materials like leather, wool, and raw plastic are informal in the city. Manufacturing is part of the informal sector in Quetta city but may be at a small scale and mainly in Balochistan province. Respondent</td>
</tr>
<tr>
<td>2. Water supply, sewerage, waste management</td>
<td>Water supply in the city area is mostly through tractor tankers from the tube wells installed outside the city. Waste collection from homes and shops is usually carried out through private individuals not registered and in the taxation system.</td>
<td>The sector includes illegal water supply in megacities, waste collectors, and waste managers; most are not registered with the authorities. The unplanned urban areas did not have a proper coverage system. (PSIC, 2007). Only 68% of Pakistan's population has sewerage facilities and only 36% have access to clean, safe water. (W.B., 2021)</td>
<td>An example of an informal economy is the waste pickers in the city collecting waste and then finding plastic or other things from waste to recycle for economic purposes but not registered with the government or any other agency. In many streets and societies, private people collect garbage from homes and offices for a small amount of money; most garbage collectors work informally. (Respondent A) People also earn from waste management; waste material is collected and used for recycling. In Quetta City, there are many private water suppliers, but no government department is involved in selling water; these private water suppliers are primarily informal. (Respondent L)</td>
</tr>
<tr>
<td>3. Construction</td>
<td>Construction sectors comprise a large set of activities divided into 42 subcategories. Other than the government contractors, mostly informal working privately and unregistered.</td>
<td>The construction sector is included in ISIC 2008 alternative aggregation for the informal economy. (ISIC, 2008). A tax amnesty scheme was specially offered for the construction sector to increase economic activity in Pakistan. (Tax Amnesty FBR, 2021)</td>
<td>About 70 percent of Quetta City's economy is informal. For example, Garage services, construction services, or other construction-related services are not registered, and some small cottage industries are not registered. The construction sector is significant, including carpenters, electricians, steelworkers, plumbers, masons, and laborers working informally in Quetta City. Our trade with other countries and our internal trade (inter-provincial trade) are also not registered. Furthermore, some small businesses are</td>
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An example of an informal economy is the waste pickers in the city collecting waste and then finding plastic or other things from waste to recycle for economic purposes but not registered with the government or any other agency. In many streets and societies, private people collect garbage from homes and offices for a small amount of money; most garbage collectors work informally. (Respondent A) People also earn from waste management; waste material is collected and used for recycling. In Quetta City, there are many private water suppliers, but no government department is involved in selling water; these private water suppliers are primarily informal. (Respondent L)
4. Wholesale and retail trade  

| It is the largest sector of Quetta City; it is informal because most retail and wholesale shops are not registered with the government and do not pay any direct tax. | According to ISIC 2008, 2014, alternative aggregation for the informal economy, the retail and wholesale sector is primarily informal and present in large size. | In Quetta city, if you compare the Barech market and Liaquat Bazar, where the trader is earning more. If it is to analyze some 5 thousand shops in Liaquat Bazar, how many are registered, 200 may be. In the Hashmi market, are all the shops registered? No, I think. Are the shops of jewelers registered? No, think just a few. Only manufacturers in the industrial state are registered. In Quetta city, the increase is observed in three shops: Tandoor, Barbershops, and unregistered bakeries. All the medical are not registered, and retail grocery shops and vegetable shops are not registered. There is growth in the economy but informal growth. (Respondent J) |

5. Transportation and storage  

| Local transport based on Riksha drivers, donkey carts, buses, and carriage vehicles is informal in Quetta City. | The transportation and storage sector may find informal activities. (ISIC 2008 alternative aggregation for informal economy) | Riksha covers the primary transport system of the city; many of the Riksha are operating in Quetta city without route permits or with the permit of other districts, which is not authorized. School and college vans are primarily working without permits. Afghan refugees are mostly earning from donkey carts; all are informal. (Respondent M) |

6. Accommodation and food  

| Food providers are generally in every street, corner, and area of the city. Street hawkers and moveable food sellers' carts are usually unregistered. Tea stalls, fast food chains, meal providers, and small hotels are mostly not paying taxes. | The sector is included in the alternate aggregation group of informal economy classification ISIC 2008. (ISIC, 2008) | Quetta is traditionally famous for its Kahwakhanas and Chanakii hotels, with traditional Balochi and Pashtoon food shops. On every road, there are small hotels for tea; I think not even a single hotel is registered with the government. Airport Road is full of dining hotels, but all are out of tax net. Juice corners, ice cream sellers, and small carts of food sellers are part of the city's informal economy. (Respondent I) |

7. Real estate activities  

| Real estate dealers are present in all areas of the city, facilitating the public to sell and purchase land, residential homes, shops, and other commercial estates. These property dealers are not registered with any authority. | The real estate sector in Pakistan needs to be regulated and brought into the tax net a sizeable informal sector in Pakistan. (PSIC, 2007) | Extensive informal activities can be found in real estate and property dealing; there is no record and registration for property dealers in Pakistan. Property dealers and advisors' offices are almost on every road in Quetta City. The property dealers work based on each transaction's commission and percentage system. The significant tax aversion can be seen in a Municipal corporation; if you convert an old home to a new plaza, you must deposit 2.5% tax to the government, but one pays the tax. (Respondent A) |

8. Education  

| Tuition centers, English coaching centers, primary-level schools, and madrasa education systems are primarily unregistered and do not pay tax. | In Pakistan, around 18% of primary schools, 14% of middle schools, and 5% of high schools operate without registration. There has been an increase in tutoring education. | An extensive Madrasa system or religious education is mostly unregistered, and tuition centers exist in every small town and area. Job test preparations' and English language centers, Private schools unregistered, unstructured technical education, and many other activities are in the education sector. |
9. Human health and social work

In Quetta City, multiple health-related businesses working without the government and health department's permission are mostly not registered and paying taxes. (Respondent F)

The weakness of the health system in Pakistan, in general, and Balochistan, in particular, is that a sizeable unregistered industry is working in diagnostic centers, clinics, and pharmacies. (WHO, 2018)

What is the condition of hospitals at Quetta? What is the actual situation of our health system? What our government offices are doing? What is the current situation of Quetta city administratively? Most of the doctors in Quetta city earn heavy income without paying taxes by practicing in private setups. There are many Pansar shops, homeopathic clinics, and herbal medication centers in the city. (Respondent C)

10. Other service activities

Repairers of electronic, household goods, and personal goods worked in informal sectors. According to Qualitative data, the sector lies in the Informal sector.

The service providers for repair and maintenance and small workers are part of the informal labor force of Baluchistan. (Labor Force Survey, 2021)

It is observed that many service providers working for the financial existence in society are not registered, and it is challenging to register these workers. For example, many women work in homes as maids in Quetta city; few men serve as gardeners, gatekeepers can be observed along with private guards, and rich people have private drivers for their vehicles and launderers for their homes. All these people are not registered, and it is hard to know the exact number of these workers. (Respondent D)

11. Household sector

The household sector involves multiple production and service items; in a few cases, retail has been done in the household sector. Traditionally, this sector is not registered and pays any direct tax.

The household products and services are challenging to measure, especially items self-consumed and self-service. The registration process should be made accessible to register the household sector of Balochistan. (UNDP, 2019)

Household embroidery, tailoring, tuitions, and beauty parlors are part of Quetta's informal economy; female laborers in homes mainly carry out these activities. (Respondent E)

The study distinguishes between formal and informal economic sectors and draws a line between illegal and informal economic activities. Implementing existing laws, rules, and policies could reduce illegal economic activities. The research findings will aid the decision-maker in formulating formalization policies for the informal sector. The research will contribute to the knowledge of measuring informal economic activities. This study identifies 11 informal economic sectors in the City of Quetta.

5 Conclusion:

The desk review justifications and qualitative data rejected the ten sectors for the informal classifications and accepted eleven sectors for informal economic activities for Quetta City. Research data specify the illegal activities in Quetta city; the activities not allowed by Pakistan's law, rules, and ordinance are considered illegal instead of being counted as informal. These 11 sectors are visible in Quetta city's economy; retail, manufacturing, transportation, food, and real estate sectors have significant informality. Data indicated that the majority of the retail and wholesale business in the city is running informally. The authorities must register retail and wholesale firms, shops, and warehouses; the tax department and other government bodies should introduce new easy policies for registering large informal trade in the city.

Manufacturing is another sector identified for informal economic activities; demand for high-wage skilled labor arises from manufacturing, especially as technology advances. The polarization of the labor market has been attributed to the decline in skilled manual occupations (Ritchie et al., 2013). Products related to woolen items, leather refining, jams, footwear items, Jems and jewelry goods, grain grinder foods, soap factories, and bakery items
are part of the informal manufacturing sector of Quetta City. A primarily black marketplace of intoxicating drinks, mostly by fermentation, snifter, and wine, and the production of purified fermented drinks also exists in Quetta City. According to the qualitative data, the stone trade is also present in Quetta City. A few craftsmen are sitting on the road footpaths, and small markets are dealing with the stone industry in the city’s center. These stone dealers cut, shape, and finish precious stones. Scraps of batteries have a resold market in the city; these batteries are manufactured again for reuse. As the qualitative data indicated about the smuggled timber from Afghanistan, the smuggled timber was used to manufacture wooden products in the Sirki road area. The same wooden work is now used in homes by city carpenters to produce many wooden things in homes and offices. Manufacturing jewelry and related articles and repairing electrical equipment can also be examples of informal manufacturing in Quetta City. Rugs, carpets, ready-made clothing, boutiques, and garment manufacturing are some areas identified by the qualitative data for informal manufacturers.

Sewerage in the informal sector involves collecting, treating, and disposing of sewage and material recovery. Waste collection can be of two types: non-hazardous and hazardous waste inside residential zones, like collecting garbage from houses and markets using garbage bins or wheeled. The material recovery typically separates the waste into three forms: recyclable materials, cooking oil and fate materials, and litter bin materials.

The construction sector includes many construction-related activities and some forty subcategories of construction, from mud construction to highly sophisticated construction using different engineering sets. An increasing population of Quetta City, migrants from Afghanistan, and urbanization trend in Balochistan have enlarged the sector activities from the last few decades. The informal component in construction is mainly present in Quetta city; only a few firms of construction are registered with proper codel formalities; these firms primarily work with the government as contractors. A considerable part of the sector works informally with the different trade names. These informal activities include waste clearing of demolished old parts of the city, basement soul clearance, basement parking excavation on some uneven parts of the city landfilling requirements, leveling and grading uneven souls, overburden removal, and building site drainage. As technology advanced, the old home construction style of Quetta changed with time and needs; heating and cooling now need new construction styles. The last part of the construction process involves fixing pantry items, stairways, workshop furnishings, and internal fixtures, wall coatings. Portable screens, putting, roofing, tangible or cut stone wall or ground slates, pottery cooktop fitting flooring and other ligneous ground casings, mats, and linoleum bottom casings, including rubber or malleable floor covering, agate, stonework or slate bottom or partition layers, wall covering inside and outdoor portrait of buildings fixative of goblet, glasses, spring-cleaning of new buildings after construction.

Qualitative data indicated that selling motor vehicles and motorbike parts and accessories in retail and wholesale is informal in Quetta city; the accessories are essentially tyres and innermost tubes for tyres, auxiliary shares, batteries, illumination apparatus, and electrical parts, mostly smuggled items. An informal economy related to retail and wholesale can often gather, categorize, and mark goods in large lots, break down wholesale, repack, and redistribute in smaller lots. The Quetta City informal activities include pharmaceuticals; farming fresh resources; clothing raw materials; nourishment, drinks, tobacco, sartorial, footwear, leather belongings, wood, construction resources, household goods, and hardware, hides and skins, fruit and vegetables, dairy products & bakery items, poultry, carpets & rugs edible oils and fats, sugar, tea, spices, cosmetics and soaps, stationery, books, visual belongings (e.g., dark glasses, opera glasses, telescopic glasses), timepieces, watches, ornaments, and electrical apparatus.

According to the qualitative data, the transportation and storage sector falls in the informal sector categorization for Quetta City. The local Riksha and taxi services are run informally, the storage godowns and warehouses are not registered, and many goods companies are not paying taxes. There is a permit system for road transport within and out of the city transportation, but many vehicles are not working according to the permit system given by the Balochistan Transportation Authority. The home delivery services of retailers, wholesalers, and manufacturers are primarily outsourced but not registered; similarly, the home delivery of food shops and postal services are not accountable for any tax.

Many student hostels, specifically girls’ hostels, shared rooms, and dormitories, are in Quetta City; all these are part of the informal economy in the accommodation and food sector. Along with the hostels, many catering service shops are also unregistered in the city. These catering services shops also provide event management services and audio-video arrangements. Food and beverage selling activities can be observed in the city’s area with permanent or temporary sitting (mobile food services, carts, stalls) arrangements, mostly selling fast-food, ice cream truck vendors, local eating products, tea, and coffee items, fruit juices, and multiple traditions food products.
The real estate sector, including real estate and property managers, is a significant sector identified by the qualitative data. This sector includes the activities of sale and purchase of real estate in the city. Almost on every street, area, or town, the unregistered offices of property dealers are present; they are working unregistered and not paying any tax. The activities are generally in cash with owned or leased property. The sector is the primary sector for investing the large sum of money earned from illegal activities and corruption, as the qualitative data indicates. Serious policymaking is urgently required to formalize the real estate sector in Quetta City. The sector is considerable for informal economic activities.

Sector M of Table 1 deals with the professionals working illegally in the city. Lawyers and property-related persons dealing with the deeds, wills, trusts, and other activities of public notaries, civil law notaries, bailiffs, arbitrators, examiners, and referees are primarily out of the tax net in Quetta. Many legal activities include general counseling and advising, preparation of legal documents: articles of incorporation, partnership agreements, or similar documents in connection with company formation copyrights, arbitrators, tax consulting, architectural, engineering, and other technical advisory activities, educational consulting activities, few town and city planning and landscape architecture engineering design, interior design, interior decorating, advertising range of advertising services e.g. billboards, panels, bulletins and frames, aerial advertising & marketing consulting, fashion, microfilming, business brokerage activities (Aartees), and medical Raps are mostly not paying tax to the state at any level.

Education activities of tuition centers, English language, short courses in computer literacy, and test preparation are frequently found in the city without any registration and tax paying. Collaborative strategies (Ramzan et al., 2023) and engagement helps learn English (Ramzan et al., 2023). According to the qualitative data gathered and analyzed, many schools are operating in Quetta city; few are registered with the authorities of the educational department of the Government of Balochistan but primarily not working on the education standards and out of the tax net. Many other education activities run informally, such as instruction for chefs, barbers, computer & cell phone repairing, training in driving schools, and other skills-based pieces of training. Furthermore, riding instruction, swimming instruction, martial arts instruction, fine arts centers, and some religious and cultural education are present in informal educational activities.

In the health sector, diagnostic laboratories such as X-ray and blood analysis laboratories are out of tax nets in Quetta city—many medical professional practices in the city without the permission of health authorities and registration paying tax. Many herbal medicine centers, herbal doctors, Hakeem, and physiotherapists are part of the informal economy in Quetta city.

Many technicians and mechanics of machinery, computer equipment, cellular phones, and personal and household goods work informally in Quetta. Human resources in the chamber of commerce, writers, painters, poets, religious organizations, or individuals providing services directly to worshippers in churches, mosques, temples, synagogues, or other places are not registered on related forums. Shoemakers, repairers of furniture and home furnishings, reupholstering, bicycle repair and alteration of clothing repairs and alteration of jewelry repair, watches & clocks makers, activities laundering and dry-cleaning, pressing cloths, carpet and rug cleaners, service stations, hairdressers, dermatologist, hairs dyers, facial & massage centers, manicure and pedicure, beauty parlor massage salons, marriage bureaus shoe shiners, Porters and valet car parkers are working in Quetta City informally.

Sector T of ISIC classification (2008) is analyzed as an informal sector for Quetta City. The sector includes many activities generally observable in the city, employing maids, chefs, waiters, valets, butlers, laundresses, gardeners, gatekeepers, stable boys, chauffeurs, caretakers, governesses, babysitters, tutors, and secretaries are all included in the sector. Skilled workers can report their employer's activities in censuses or studies even when the employer is an individual.

Private home operations produce standardized goods and services for their own consumption. Manufacturing of identical goods for personal use by individual households, manufacturing of identical goods for personal use and indiscriminate survival by private households, household chores that produce products or household chores that involve a variety of tasks that produce things needed for a home's survival. Farming, constructing homes and clothing, hunting and gathering, and other activities all contribute to providing food for the household.

The activities of households engaged in a range of service-producing ventures; the undifferentiated service-producing activities of households for their own consumption; alternatively, the undifferentiated service-producing activities of households for their own subsistence. These activities include caring for family members, cooking, teaching, and doing other domestic duties.
The study recommends that the Federal Board of Revenue, Balochistan Revenue Authority, Industries Directorate of Balochistan, Labor Department of Balochistan, Chamber of Commerce Balochistan, and Planning & Development Department of Balochistan Government must make policies to regulate a large informal sector in Balochistan, particularly Quetta city. Using the finding of the study for separate informal economic classification line departments can make the policies on highlighted area of gray economy. The tax and registration process should be reworked and must make it easy to register the business operating without any tax payment. These businesses are not availing of government support, microfinance, and other business opportunities that can enhance the productivity and quality of their products and services.

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