

SWARAJYA

(Founded by KHASA SUBBA RAU)

Vol. XX. No. 11

MADRAS, SEPTEMBER 13, 1975

Price 40 p.

Mr. McNAMARA ON THE URBAN POOR

R. VENKATARAMAN

THE PRESIDENT of the World Bank, Mr Robert S. McNamara, in his address to the Board of Governors of the Bank, has highlighted the problem of urban poverty in picturesque language. He said: "If cities do not begin to deal more constructively with poverty, poverty may well begin to deal more destructively with cities." Mr McNamara has pointed out that on a global level, the number of cities in the developing countries with more than one million population has grown from 16 twenty-five years ago to 60 today and will increase to more than 200 in the next 25 years, that the present population of 700 million in cities will grow to 1,800 million in the next 25 years and that the developing world is going to find it incredibly difficult to meet the challenge. Analysing the causes of urban poverty, Mr McNamara pointed out that high population growth rates and massive migration to cities have swollen the urban labour pool, that the potential of modern industrial and com-

mercial sector, which he calls the "formal sector", is limited, that the unorganized traditional 'informal sector' grows bigger and bigger and that about half of the jobs in Lima and more than half in Bombay are provided by the informal sector, that the Government policy is favourable to the formal sector like special tax exemptions, under-

priced utilities and subsidized interest rates, in utter contrast to the neglect of the informal sector, have accentuated the problems of unemployment for the urban poor. Denied medical, educational and housing facilities, the urban poor lead a miserable existence.

The growth of urban population in India has been negligible in the

VICTIM

OH NO, YOU'RE SUPPOSED
TO KILL THE BUGS
ONLY!



early decades of this century. From 1901 to 1931, urban population increased from 25.69 million to 33.42 million, hardly 30 per cent in 30 years. From 1931, however, the growth in urban population is striking. In the decade ending with 1941, the urban population increased to 43.81 million, an increase of 31 per cent; in the next decade ending with 1951, the urban population increased to 61.87 million, an increase of 41.2 per cent in ten years. At the end of 1961, the urban population increased to 86.32 million, again an increase of 39.41 per cent and in the decade ending with 1971, it has increased to 108.79, roughly by 38 per cent. It is estimated that by 1981, the urban population will increase to 152 million. The growth in the urban population has not been uniform all over the country. States like Maharashtra, Tamil Nadu and Gujarat have more than 25 per cent of their population in urban areas, while Orissa, Assam and Bihar have about 10 per cent or less. The increase in the urban population is not reflected in the increase in the number of towns and cities, which goes to show that some cities are becoming more and more thickly populated and unwieldy.

Agriculture, which provides 50 per cent of the GNP of India, sustains 72 per cent of its population and, therefore, rural poverty is staggering. The immense pressure of population on land will have to be relieved somehow. The exodus to urban areas without adequate capacity for absorbing them in the cities results only in the transfer of poverty from the rural to the urban area. A well-thought-out strategy for tackling urban poverty is, therefore, urgent and the Bank Chief has done well in focussing international attention to it.

Outlining the programme of action, Mr McNamara has indicated the following steps: (a) increasing earning opportunities in the informal sector, (b) creating more jobs in the modern sector, (c) providing equitable access to public utilities, education, health services, etc., and transport, and (d) establishing a realistic housing policy. Since the informal sector

affords larger employment opportunities for persons with comparatively small educational and technical qualifications, emphasis should shift from large-scale capital intensive production to small producers not only in manufacturing but also in transport, commerce and other services sector. Mr McNamara further says that the understandable enthusiasm of Governments to modernize their economies must be restrained in their dealings with the informal sector. One finds in the new strategy, a faint echo of Gandhian approach for the removal of poverty through Khadi and Village Industries. It must be confessed that the unorganized sector has not received the same favourable treatment from the Government as the modern sector, be it in finance, tax concessions, infrastructural facilities, or support. Even the small effort in the direction of developing small, village and cottage industries languished because of the absence of marketing facilities for their products and their inability to withstand competition from the modern sector. Khadi and handloom, which can provide part-time domestic occupation for a much larger number of people in India than any other industry, cannot, unaided by financial or emotional support, stand competition from modern textile industry. Reservation of certain areas for production by the informal sector appears inevitable in the circumstances. The constant demand of handloom weavers for reservation of dhoties and saris and the small-scale industrialists for reservation of ancillaries for their production stems from the inability of the informal sector to compete with the modern sector.

The remedy suggested by Mr McNamara, namely, adequate credit facilities, cooperatives to reduce cost and increased efficiency and technical assistance by way of extension services, etc., cannot, in our opinion, make the informal sector compete with the modern sector. We hope that when the World Bank Chief suggests the removal of "onerous and often outdated licensing and regulatory controls", with which we entirely

agree, he also realizes the need for some favoured treatment in purchase, marketing, etc., for the informal sector. Another suggestion of Mr McNamara for promoting mutually beneficial relationship between the formal and the informal sectors by reserving land for small enterprises in the vicinity of industrial estates has been conceived in the late 50s and implemented in the early 60s in the Ambattur Industrial Estate near Madras with convincing results, though we had no McNamara in those days to support such a policy, against the traditional thinking in favour of industrial estates exclusively either for large industries or for small industries.

Mr McNamara has rightly pointed out that the strengthening of the informal sector need not be at the expense of the modern sector. In fact, the modern sector, properly organized, can stimulate production in the informal sector. Most of the small-scale industries in the world do not produce end products but only ancillaries and components to large-scale industries. The classic example is the General Motors, which utilizes mostly bought-out components, thereby providing large opportunities to the small and self-employed sector. The example of K. R. Sundaram Industrial Estate, which manufactures components to the Enfield Motor Cycles under the guidance and supervision of the latter, deserves to be followed by other large manufacturers in the modern sector. Mr McNamara has, therefore, rightly emphasized the complimentary character of the modern and the informal sector and the need to develop both with a view to providing employment opportunities to the large volume of urban poor.

Mr McNamara has made a comprehensive survey of the problem and deserves the thanks of developing countries for spotlighting the issue. His address may be divided into two parts, one relating to employment of the urban poor and the other relating to social services, education, health and housing of these people. We reserve our comments on the social services to another issue.