CHAPTER VII

SUMMARY OF FINDINGS, CONCLUSIONS AND SUGGESTIONS
INTRODUCTION

Having presented the field data in the framework that was generated earlier, we may now turn back and re-capitulate the main findings in a summary form. The purpose of the present Chapter is to enable the policy maker to easily grasp the many issues that are involved in a problem like the one that is subjected to analysis in the present study.

The present study started with the following objectives: To examine the structure and working of certain categories of establishments in the Informal Sector with particular reference to Income and Employment generation. To portray the demographic, socio-economic conditions of workers in the Informal Sector. To study the nature and dimensions of Migration to Tirupati Town and to provide a general data base for an important segment of the urban economy. The study also attempted to test the following
Hypotheses. Informal Sector absorbs rural manpower, which is unable to find gainful employment in the formal sector. Informal sector mostly makes use of labour intensive or capital saving technology. The work force participating in Informal Sector activities are functionally illiterates. Informal Sector activities are mostly family labour oriented. Most of the urban Informal Sector activities provide secondary source of income and employment. The foregoing chapters have attempted to fulfill these objectives and to test the Hypotheses with the help of data collected from the Informal Sector units and workers. The present Chapter attempts to explain the main findings of the study in its various parts to provide an integrated picture of the Informal Sector Activities in Tirupati Town, with a view of drawing certain analytical and policy conclusions and implications on the role of Informal Sector in the development of a fast growing urban economy like Tirupati.

7.1. Concept of Informal Sector

Most Third World Countries have experienced massive increase in their population. Besides, acceleration in the natural rate of growth, much of the increase has been due
to rural-urban migration, since the fifties. This has created difficult urban problems. Millions of Migrants to urban centres constitute a world of their own as distinct from the 'regular' or organised urban industrial and commercial sector. It is stated that by the year 2000 A.D. the labour force in developing countries is expected to reach 2000 million people. According to one estimate, the agricultural sector of these countries will be able to supply jobs for only about 8 per cent of these people. The rest will have to earn their livings through non-farm activities in rural areas or find employment in the developing world's growing cities. They spread all over the metropolitan centres: squatting over roads, living either on streets or in shanty huts, most of them in unhygienic condition. This distinctive part of an urban area is given name 'informal sector' also called 'bazaar type economy', 'unenumerated sector' residual labour force in 'traditional sector' 'premature urbanisation' or 'urbanisation without industrialisation'.

7.2. Empirical Identification

We thought, that the convenient method of empiri-
cally defining the Informal Sector is in terms of establishments, employing less than 10 workers and independent workers. Although, such a demarcation provide quite a convenient and effective tool for empirical work of data collection and portrayal of characteristics of that sector of the urban economy which consists relatively smaller sized units of production, is proved partially effective in the validation of the concept of Informal Sector in all its characteristics. Hence, for the selection of sample of Informal Sector activities in Tirupati, we obtained the list of unorganised activities from the records of Municipality, Tirupati, list of Teritiary Sector Activities financed by various Nationalised Banks and Secondary data from the Assistant Commissioner of Labour, Tirupati. A sample of 250 was selected from the information collected. The Sample Households consisted of vending (52); services (30); Small business (27); Hair dressing units (25); Tailoring (20); Transport Operators (19); Laundries (16); Masons (16); Casual Labour (14); Retail Trade (11); Tea stalls (11) and Mess or Small Eating Houses (9).

7.3. Size of the Informal Sector

The study utilised both Primary and Secondary sources
of data. A questionnaire was drafted and information was collected from the Sample Households through field survey. The size, composition and growth of Informal Sector in Urban Andhra Pradesh, Chittoor District and Tirupati Town have been studied from the data generated by 1971 and 1981 Census and also by those provided by the Director of Employment Exchange, Chittoor, the Assistant Commissioner of Labour, Tirupati.

The study is divided into two parts, Part I - provided the objectives and methodology of the study, review of literature and analysis of growth of Informal Sector in Tirupati Town. Part II - focusses on socio-economic characteristics of Sample Households, growth and structure of Informal Sector enterprises, problems of Informal Sector Workers, the role of migration, income and employment generation in the Informal Sector. The main findings of the study are as follows:

The Informal Sector provides substantial amount of employment to the urban labour force in Andhra Pradesh. The compound rate of growth of the Informal Activities
in the State was 39.08 per cent in 1981 over 1971. Further, in each district of Andhra Pradesh, a overwhelming majority of urban workers found living in the Informal Activities. The same trend continued during 1971 and 1981. Workers in the Urban Informal Sector have been increasing rapidly. The rate of growth of Informal Activities and workers of Urban Andhra Pradesh varied from district to district. While activities in the Household industry belonged exclusively to the Informal Sector, a overwhelming majority of workers in the non-household activities were also found to be engaged in this sector. Trade, Commerce and Services are main areas of the Tertiary activities are found to be providing greater employment opportunities in the State.

Tirupati Town situated in Chittoor District of Andhra Pradesh has also shown an increase in the Urban Population. The Urban Population of Tirupati rose from 65,843 persons in 1971 to 1,15,292 persons by 1981. Then, the population growth of this Town for 1988 was estimated to be 1,33,392 persons. Estimated employment in the Informal Sector would, then, be 16,371.
7.4 Main Findings

The analysis of data collected from the Sample Informal Sector Households states that, half of the Sample Households are less than 10 years old. This implies that, due to the rapid urbanisation at Tirupati, Informal Sector Activities are found to be expanding at spectacular rates. This fastness of expansion in Trade, Commerce and Services seems to provide an industrial base for the urban economy of Tirupati, however small it may be.

It was found that 90 per cent of the Sample Informal Sector Households have reported that the present activity is the primary activity to them. The other 10 per cent informed that the present activity constitute secondary to them. This finding is not in conformity with the Hypothesis held, that most of the Urban Informal Sector Activities provide secondary source of income and employment, in other words the findings states that most of the Informal Sector Activities are providing primary source of income and employment.
It was also found that 62.4 per cent of the Informal Sector Sample Households are newly promoted and the rest 37.6 per cent are inherited. Thus, this shows that the rapid expansion of the Informal Sector provides an opportunity for the emerging entrepreneurs.

It was known from the Sample Informal Sector Households that 142 Households of the 250 Sample Households, have fixed premises for their activity. Whereas others do not have fixed location. Information on the type of ownership of the work place was also collected. It was stated that most of the Sample Households in the Informal Sector of Tirupati are using rented work place. Only a 21.1 per cent of the Sample Informal Sector Households have found to have work place of their own.

It was clear from the present study that some of the enterprises in the Informal Sector have actually taken out licences from the local authority. 93 Households of 250 Sample Informal Sector Households had reported to have
had licence from the Municipality of Tirupati and have said to have even paying tax, ranging from Rs.10/- to Rs.20/- per annum.

Information regarding the literacy level of the Head of the Sample Household was also collected. A greater proportion of the Heads of the Sample Households (32.8%) had education up to Secondary level. This findings was also not in conformity with the Hypothesis, that, the workforce participating in Informal Sector Activities are functionally illiterates.

It was also found that the overall workforce participation in the Sample Informal Sector Household is 46.6 per cent. It was found highest among males being about 69.8 per cent about 24.8 per cent among females. Child participation accounted to 34.2 per cent, which is quite higher to the female participation.

The study also stated that the overall labour utilisation by the Sample Informal Sector Households, the proportion of paid labour is 33.7 per cent whereas the unpaid labour
is 66.3 per cent. This finding was in conformity with the Hypothesis that Informal Sector Activities are mostly family labour oriented.

Regarding the emoluments paid to workers, the study presented that the Sample Households like Small Business and Retail Trade, males are employed at Rs.150/- per month, children at Rs.60/- to Rs.75/- per month. It was reported that only in tailoring and vending, they employ persons on daily wage system. The study stated that, there is a significant sex discrimination in respect of wage rates, male adults being paid more than females. Children are paid even less than females. This brings the fact to light that there is scope for labour exploitation.

The present study finds that the initial capital requirement both of fixed and variable capital is as high as Rs. 12,131.84 for enterprises having fixed location than for enterprises having varying location. Regarding the proportion of fixed and variable capital used in both of the enterprises
having fixed and varying location, it was found that the proportion of variable capital used in both of these enterprises is high. This finding is also in conformity with the hypothesis that the Informal Sector mostly makes use of labour intensive technology.

It was found that the Informal Sector in Tirupati Town has played a vital role in generating income. The study brought to light, that among the Selected Informal Activities, the income generating capacity is not uniform. It is found to be highest in small business followed by retail trade, tailoring, tea stalls and mess.

The analysis of the process of immigration of workers and the manner in which they finally get absorbed in the Informal Sector presented in Chapter VI. If one looked at the reasons for migration of workers, it becomes clear that factors like non-availability of work, drought conditions, low wages, loss of income yielding assets etc., are responsible for pushing the workers out of their place of birth. That
the urban pull factor of high paying and secure jobs in organised sectors are not accessible to them, however, comes in the way of explaining away the observed immigration flow in terms of the conventional push and pull factors. An alternative explanation that could be offered for the flow of immigrants despite the non-accessibility of organised sector employment to them is the second order pull factors that are present in the urban economy. These are the opportunities afforded by the expansion of Urban Informal Sector and easy accessibility of jobs in this sector. We found that these factors were good enough to pull the rural workers to urban areas. The work availability may itself be a good reason for the rural workers to decide to migrate, but, as a rational individual who should be maximising his costs and benefits. The high wage of the organised sector would have more than balanced the real cost of moving from the birth place. But even, the low returns of the Informal Sector appear not to have deterred him. This is because the high real costs associated with finding and paying for accommodation, travel and initial expenses have been taken care of by a new socio-economic phenomenon which has emerged
of the migrants, the study stated that 54 per cent of the migrants were not engaged in any economic activity, another 38 per cent worked in occupations of underemployment and low earnings, the other 10 per cent of them reported to be engaged in unpaid family work.

The present study showed that, 72 per cent of the migrants have come to Tirupati from rural areas whereas only 28 per cent of them from urban areas. Thus, between the migrants of rural and urban origin, a comparatively high proportion of the former was found to the latter. This finding was also in conformity with the hypothesis that the Informal Sector absorbs the rural manpower which is unable to find gainful employment in the formal sector of the urban economy.

Migrants working in the Informal Sector as self-employed persons or as wage-workers seem to have maintained link with their native place. The study shows that 11.42 per cent of the Sample Migrant Households's have contacts with their native places by way of visits and remittances.
In the Informal Sector, the income of a Migrant Household is found to be less than the income of a Non-migrant Household. This disparity was found even within the Migrant Households and Non-migrant Households. The co-efficient of variation in the case of Migrant Household worked out is Rs.187.35, whereas, it is 126.72 in the case of Non-migrant Households. This shows that the income levels of various activity Households of Non-migrant Households are more consistent than the Migrant Households. The concentration ratios computed are 0.3952 in the case of the Migrant Households and 0.5168 in case of Non-migrant Households. All this showed that the distribution of Household income among the Migrant Household is more uneven than among the Non-migrant Households. Even the trend was the same in the case of expenditure of the Migrant and Non-migrant Households. The reasons attributed to this fact are the Migrant Households had to remit a portion of their earnings and have to pay visits to their native place. The greater need for income among the Migrant Households encourages them to take up whatever work is available in the Informal Sector.
Thus, the foregoing analysis has been mainly concerned with the contribution of the Informal Sector in generating employment and income in Tirupati Town. It has also described the working conditions and Socio-economic aspects of the workers in the Informal Sector. Besides, a large number of issues relating to production has been considered.

7.5. Policy Implications

It is rather hazardous on the basis of a micro level investigation such as the present one to arrive at a set of policy implications. More and more empirical investigations should be undertaken on the different aspects of the Informal Sector. This will provide the data base on a sound footing, about the urban economy in general and Informal Sector in particular.

The fact that productivity levels are low in some of the activities of Informal Sector does not give us a sufficient reason to condemn this sector as an unhealthy develop-
ment. This point will be appreciated if one viewed the context in which these enterprises are stepped in low productivity levels while the enterprises of the organised sector show high productivity level. It should be noted that the high levels of productivity that are found in the organised sector are the result of its access to modern inputs and technology and to so many other benefits offered by the State, which are not that easily available to the producers in the Informal Sector. The organised sector enterprises are entitled to cheap institutional credit, foreign exchange and raw materials often at subsidised rates. The internal markets for their products are very often sheltered by appropriate fiscal measures and they are often given easy access even to export market by means of a series of export incentives. None of these benefits is available to the enterprises of the Informal Sector. On the contrary, these enterprises have to contend with some restrictive practices imposed by the State machinery. Thus, many of the Sample Informal Sector Households report to having to take licences for carrying business. Apart from the fact that they have to pay a licence fee in such cases,
they are also subject to periodic harassment by the bureaucracy particularly by Municipal employees and Police Personnel.

At this juncture, one is tempted to argue that if state help of the kind available for the organised sector, is given to the enterprises of Informal Sector perhaps, they too might show reasonably high levels of performance and productivity. Therefore, it will not be unjustified if one pleaded that Informal Sector enterprises too must be entitled to whatever benefits are being doled out to the organised sector. This plea is justified on two considerations:

One is on grounds of social justice i.e., if the stronger enterprises are entitled to state help, how can this be denied to the weaker ones, which need such help on a priority basis.

Secondly, State help is likely to improve the economic efficiency of these enterprises, which in turn will promote overall economic development.
Those engaged in Informal Sector activities are mostly unskilled and untrained. Since skills play a vital role in shaping the structure of economic activity, lack of skills greatly restricts mobility among occupations and activities. Sometimes, it is stated that low productivity is due to lack of skill and training. The State should help the Informal Sector in acquiring skill. Measures, which promote Formal and Informal training facilities need to be carefully fostered. This may lead increased productivity and efficiency, since a substantial portion of workers in the Informal Sector enterprises are young and can be easily motivated to acquire skills. Training facilities will also help new entrants to move into labour market with a measure of confidence. This job specific training programme will enable the entrepreneurs to establish links not only with the product and factor markets but also with State Agencies.

A point where state intervention under the above circumstances would be meaningful is to direct the State Departments to buy some of their requirements from the
Informal Sector Enterprises. At present this facility is available to the small-scale industries. Apart from buying their products the State Department should supply to these enterprises tools and equipments and product designs. Such intervention will create conditions necessary for the promotion of the much needed linkage between the Formal and Informal Sectors.

The unprecedented rate of growth of Urban Population is not only due to natural rate of growth of population but also to a large-scale of rural-to-urban migration. As, this is the case with most of the cities of the developing world. These parts are experiencing problems like congestion, housing, infrastructure, medical, educational and recreational etc., and is evidenced from rapidly declining quality of urban life in most urban places in the country. In the context of arresting this unprecedented growth of urban population, two suggestions can be made:

One the promotion of Rural Development Programmes such as the present Jawahar Rozgar Yojana may restrict the rural-urban migration and relieve the
pressure on the urban informal sector, which is subjected to varying degrees of unemployment.

Second, as in the Western hemisphere, the Indian Town planners have to turn their attention to the development of small and medium towns as a viable alternative to the unmanageable metropolitan growth. The Government can also increase the employment opportunities in the urban areas by implementing the programmes like the self-employment promotion programmes, which to a large extent help to eradicate urban poverty and urban employment.

At the demographic level, the development of smaller urban settlements requires an effective supporting. National policy on urbanisation to check population concentration in bigger cities on the one hand and to provide for the necessary infrastructure, such as education, health, transport, water, electricity and sanitation etc., for development in small and medium towns on the other.
7.6. Future Role

It is clear from the above analysis made in Six Chapters that, at present the Informal Sector plays a significant role in the economic life of a urban centre. What will be its role in the future? What measures would enable the Informal Sector to make an even more useful contribution to the development of the economy? An attempt in this concluding part is made to answer these questions.

The preceding analysis indicates that the Informal Sector can play a dual role in the economic development of the country. First of all, it can play a passive role by absorbing people from rural areas to whom the modern sector is not yet in a position to offer employment. It can also play an active role, supplementing the modern sector through the production of goods and services by capital saving techniques that enable capital to be used where its productivity is highest.
In addition, by reason of the freedom of entry and the competition prevailing in it, the Informal Sector can be regarded as a reservoir of ambitious and enterprising persons who could eventually be brought into the modern sector and considerably increase its growth potential.

It is difficult to determine to what extent and for how much longer the Informal Sector will be able to absorb manpower surpluses. Much will certainly depend on the policy followed in developing the modern sector. If activities competitive with those in the traditional sector are developed in the modern sector, and if these activities compete with the activities in the traditional sector that use the most manpower, it is likely that the absorptive capacity of the traditional sector that use the most manpower, it is likely that the absorptive capacity of the traditional sector will be greatly reduced there is indeed little likelihood that the other activities could develop sufficiently to offset this negative effect. Therefore, the indirect effects on employment in the Informal Sector should be taken into consideration.
whenever plans call for the establishment or development of modern activities as substitutes for existing activities in the traditional sector. This argument holds good even if modern techniques are intended to be used only to meet an increase in demand for goods and services hitherto met by traditional production, since the potential avenues for an increase in the labour force would then be eliminated.

As already noted, productivity in the Informal Sector is not negligible and there are good grounds for believing that the sector uses little capital. From this point of view it would be advisable, when development programmes for the modern sector are established, to take care to preserve so far as possible the branches of the Informal Sector in which productivity is high, particularly those in which it is almost as high as in the corresponding branches of the modern sector.

There is, however, one point which should be made clear: the protection and utilisation of the Informal Sector
for development purposes in no way implies stagnation and renunciation of technical progress and of improvement of skills in the industries and occupations in question. On the contrary, the objective should be the progress of the Informal Sector, or at least of those parts of it which appear to offer the best opportunities for development. Hence, it would be desirable to evaluate them carefully while making sure that development does not eliminate the specific characteristics on the basis of which the selection has been made: in particular, perhaps, the high intensity of labour and the economy of capital. The result would be to create a transitional sector, which, as the economy developed would itself evolve little by little, ultimately becoming part of the modern sector. Identifying the characteristics of this sector is certainly difficult and requires more thorough studies. It is no less difficult to decide how to help the selected elements of the Informal Sector to form the transitional sector, because the Informal Sector derives much of its dynamism from its spontaneity, regulations should be introduced with care so as not to destroy this spontaneity and so as not to discourage individual enterprise and initiative.

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