

Feature

Development

# The 'Invisible' Economy

## The Role of the Informal Sector in Poverty Alleviation

by Md Meftaur Rahman

means a industrial unit in which persons employed less than 10 in number. Small firms can easily escape fiscal laws, disregard national labour controls, can pay lower wages and are free to hire and fire workers if so desired.

The informal sector plays a vital role in promoting rural development through alleviation of poverty by creating employment opportunities and augmenting income of the poor. It has the high potential to reduce income inequality, develop local initiative, promote balanced regional growth through dispersal of economic activities, earn foreign exchange, make industrial restructuring easier, create entrepreneurial skills and perform a useful role in the process of industrialization. Informal economic activities also can play a major role in enhancing women participation in economic development by providing women employment opportunities which will further help in the upgradation of socio-economic condition of the country. In one word, it can be said that informal sector play a vital role in respect of creating employment, income generation, value added, self-reliance and acceleration of economic growth. According

worker. The highest percentage (77.4 per cent) was reported as sales workers indicating the large proportion of small retail operations which characterize this sector. Small size firms constitute a sizable portion of the overall industrial structure in most of the developing countries. Small firms such as handloom and cottage industries can create employment in the form of self-employment. Temporary establishments are housed under temporary sheds or open sky and operate at uncertain times. Non-agricultural activities such as cottage industries, shops or workshops in or within its premise are classified as household with premised based economic activity. These two are the characteristic feature of IFS.

Retail trade/shops/establishments is also a characteristic feature of IFS. According to the Bangladesh Census of non-Farm Economic Activities and Disabled Persons-1986, this is the largest sector in terms of number of establishment with 1052 thousand establishments and 2.38 million persons engaged. Manufacturing and trade are two sectors where significant number of unpaid family workers are engaged

industries. In the GDP structure informal sector contribute a significant portion. According to an estimate, the contribution of the cottage and handloom industries together comes to Tk 570 crore or 2.7 per cent of GDP or one-third of value added by manufacturing sector. Together with small industries it accounts for over half of industries contribution to GDP. According to the Handloom Census, Handloom Sectors gross output value was Tk 23279 million and gross value added was Taka 10016 million.

Moreover, expanding rural micro enterprises belonging to informal sector can serve important needs for the rural population as a whole. By expanding micro enterprises it may be possible to take advantage of rural electrification system extensions from which rural communities will be able to enjoy social benefits. Profits earned in the trading sector may be invested or loaned for use in small enterprises or rural construction. Small firms in IFS helps firms in formal sector by producing intermediate products on sub-contracting basis. Firms in formal sector used labour contracting to save capital and labour and to avoid the high cost associated with labour laws. Small firms also can make best use of formal sectors unusable waste, garbage and materials as raw materials.

It is clear therefore that the informal sector has an important role to play in the economy of Bangladesh. But in Bangladesh it is seen that informal sector has been overlooked in the formulations of government policies particularly relating to development strategy. Moreover, lack of adequate institutional credit/finance, raw materials, training, appropriate technology, adequate government support, marketing facilities for products, and electricity supply, etc stand in the way of promoting informal sector related activities. With a view to encouraging informal sector activities to increase its participation in the economy for alleviation of poverty through creating employment and income, a informal sector friendly environment and policy measures is necessary pre-condition. Some important suggested measures for promoting informal economic activities are as follows:

In Bangladesh the lack of adequate credit or people's ac-

cess to credit act as a great hindrance in respect of promotion of informal economic activities. With a view to poverty alleviation, people's access to credit should be ensured by establishing a viable informal sector-oriented credit system by which extending credit to the poor people living below the poverty line will be ensured. For extending credit facilities credit institutions specifically meant for the IFS enterprises can be created. Existing credit institutions rules, regulations, their attitudes towards credit receiver, hindering rural poor people from borrowing, shall have to be abolished.

About half of the population living in rural areas are women. Most of them belong to the informal sector. To utilize women development potentiality, credit shall have to be made more accessible to the female members of the IFS by providing credit on easy terms and simplifying the procedure of credit disbursement and giving other appropriate service support which, in turn, will increase women's productivity, ability to increase their incomes and participation in the off-farm activities within the informal sector. It is seen that women are better credit risks than men, and that they have higher repayment than large bank clients.

Due to lack of adequate training (such as management, accounting, technical and marketing) and education, people within the informal sector failed to get any financial services, support from various financial institutions. Various studies show that education and training are important component of HRD. For giving training in case of management, marketing and finance numerous training centres can be set up which will supply required trained manpower in the informal sector.

It may also be said that no economic activities/action towards development can succeed without participation of its informal sector. Along with the formal sector of the economy, the informal sector's participation is essential as these two co-exists and are interdependent. The informal sector can be a base for poverty alleviation by creating employment and income generating activities. The prime task of the government should be, by recognizing the economic contributions of this sector, to pay more attention taking positive action for the development of this sector in order to lift the country out of the present morass of poverty.

The writer is a Research Officer at Bangladesh Centre for Advanced Studies.

# Digging up Sri Lanka's Bloody Past

The new government in Sri Lanka — led by a woman whose father was an assassinated president and whose mother is Prime Minister — has promised an inquiry into years of "disappearances" and death squad killings. Already, reports Gemini News Service, the grave-diggers have started unearthing their grisly evidence.

Vilma Wimaladasa writes from Colombo

On a sparsely populated mountain in southern Sri Lanka, at a point called Suriyakande, scores of workmen are digging deep into the earth, watched by a magistrate and senior police officials.

Hundreds of parents, too, are watching anxiously, tense and emotional, some weeping as bits and pieces of clothing and human remains are brought to the surface.

The exhumation is taking place on a site in which 32 schoolboys are believed to have been buried after their disappearance during a youth insurgency in the south of the island in 1989-90. About 300 other people are believed to have been thrown into mass graves on the site.

It is not a unique scene. Chandrika Kumaratunga's People's Alliance government, which was voted into power in August, says that at least 60,000 youths disappeared in political killings in the last six years in the south and that thousands of other human rights violations occurred.

Kumaratunga has pledged that such abuses will not continue, that those responsible for past atrocities will be brought to book and that compensation will be paid to the next of kin of every victim.

Politically, her stand helps discredit the United National Party (UNP) now in opposition, but it also helps heal a terrible period in Sri Lanka's history.

In the northeast of the island, guerrillas were fighting for a separate homeland for the Tamil minority. Sometimes they brought their struggle to the Sinhalese-majority south, with bombing attacks and political assassinations.

As well as dealing with the guerrillas, the right-wing UNP was trying to suppress an insurgency in the south led by the left-wing Janatha Vimukthi Peramuna (JVP). People's Liberation Front.

The anti-JVP struggle included the use of death squads, who went about the country literally like thieves in the night, collecting youths suspected of anti-government activities.

They tortured young JVP activists for confessions, and then left them to either die in agony from their wounds or shot them, burned their bodies



President Chandrika Kumaratunga: Compensation promised

with tyres and buried them in shallow graves. Some were thrown into rivers.

It was also a time when old scores were settled, with people accusing others of supporting the rebels and reporting them to the police or army. The victims just disappeared.

This was the fate of the 32 schoolboys. Apparently, they were killed not for suspected insurgent activities but because the principal of the school was enraged that his daughter was in love with one of the boys. One after another the boys were taken in for questioning and tortured.

In line with the new government's promises, the principal and four army officers have been arrested in connection with the killings.

Other mass graves are being unearthed, both at Suriyakande and elsewhere. In one incident, police arrested a colleague — an assistant superintendent — after five skeletons were dug up in Kokandara, a suburb south-west of Colombo.

A special unit on disappearances has been established,

and parents and relatives are providing it with names and places where remains of bodies might be found.

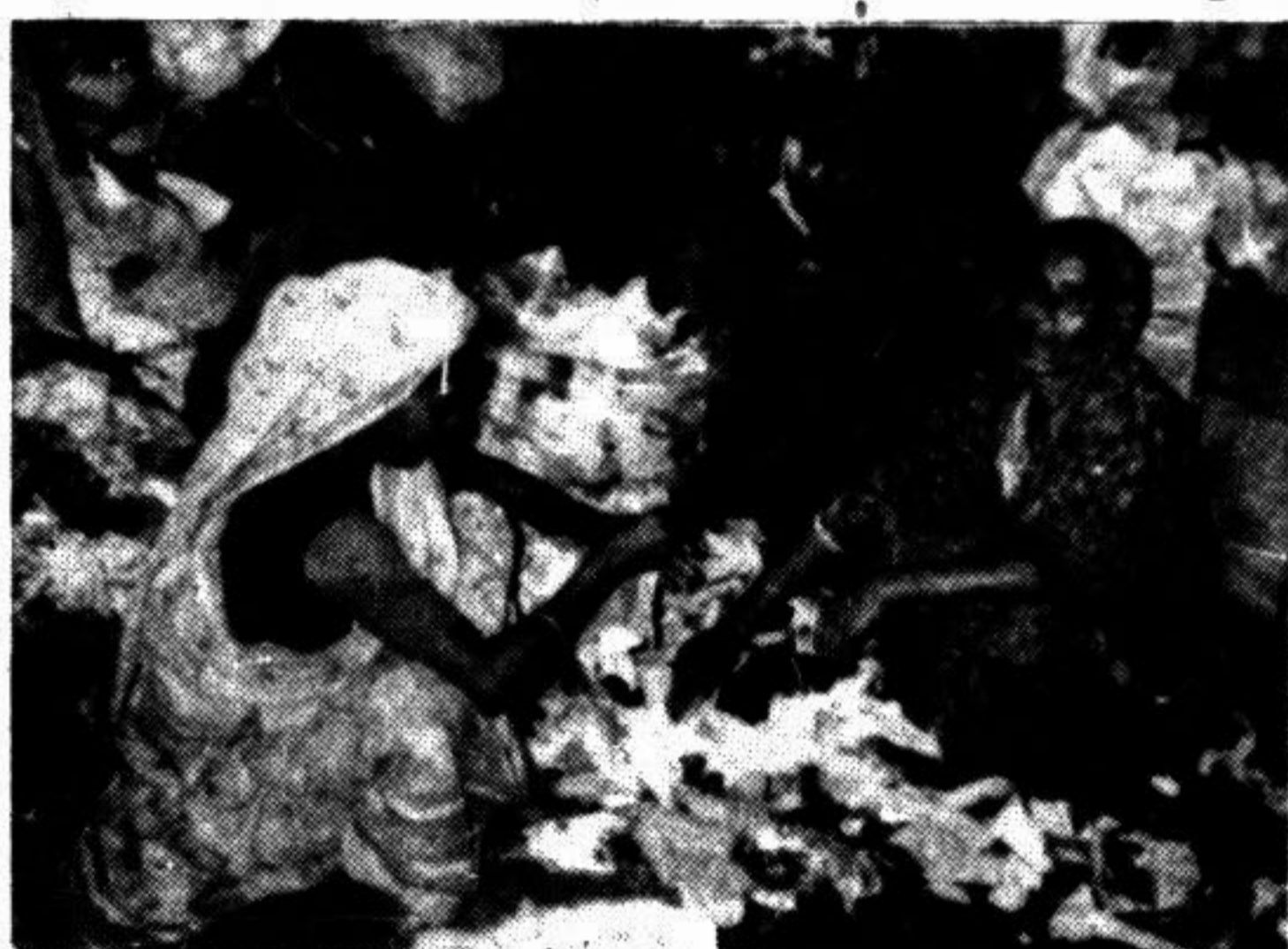
Defence Ministry sources say that police and army officers who played a key role in the previous government's bloody campaign against the JVP will face murder charges for their alleged involvement in extra-judicial killings.

Meanwhile, to demonstrate the government's commitment to the fulfillment of human rights, the new Minister of Foreign Affairs, Lakshman Kadirgamar, has presented a parliamentary Bill in Parliament to give local effect to the International convention against torture.

The proposed legislation makes torture an offence punishable by imprisonment for seven-to-ten years and a fine of Rs 10,000-50,000.

It also gives jurisdiction to the High Court to try people charged with torture even if the alleged offence is committed outside Sri Lanka.

— Gemini News



The informal sector — an untapped resource

to the country's Labour Force Survey (1983-84) the national level 38.3 per cent of the total employed population were self-employed of which 40.8 per cent accounts for male and 16.55 per cent accounts for female. In the non-agricultural sector 39.85 per cent were self-employed and 7.3 per cent were unpaid family worker and in the agricultural sector 22.2 per cent were unpaid family

52.7 per cent and 39.2 per cent respectively of the total unpaid family workers in all economic sectors. The country's Draft FFYP reveals that the industrial sector provides employment to 3.09 million people (11.1 per cent of total employment) of which one-third each is employed in large, medium and modern small industries, handloom sub-sector and other cottage

# Trade Liberalization and its Impact-II

Women's role in trade policy formulation:

by Atiur Rahman

Continued from last week

Women's role in trade policy formulation and implementation is virtually non-existent. Women workers had no trade union and women issues got very little emphasis in the agenda of the trade unions which are generally male dominated. Trade union activities in women dominated garments industries remains very weak.

In the policy formulation and implementation, the female planner and administrators are virtually non-existent and the suggestions related to the gender issues are not reflected in the policies. Although some positive changes have taken place with regards to social attitudes to women's participation in economic activities, violence against women is on the rise. Religions fundamentalism tends to constrain women's movement. However, there is heightened consciousness against such retrogressive activities is also visible in the civil society. New spaces have as well been created by community based, NGO sponsored and neighbourhood institutions. All these organizations are now trying to establish dialogues with the state and the civil society. These go beyond simple 'Survival Strategies' and have the potential of creating new centres of dialogue and mutual assistance. The mainstream politics has not yet recognised the potential of these new centres and hence the whole process of women's dialogue with the political parties is still in transition.

Gender implication of Uruguay Round Agreement:

The extent of employment of women labour force critically depends on the proper functioning of the export oriented industries. The approval of cross retaliation, inclusion of labour standard as a component for international trade in the Uruguay Round Agreement made the export oriented industries vulnerable. The traditional comparative advantage theory lost its position because the use cheap labour of third world countries are considered as unfair trade advantage or social dumping in trade negotiations. These and other protectionist instru-

Conclusions and Recommendations in search of alternative adjustment

The changing international trade activities posed serious challenge to the women of Bangladesh. Women of Bangladesh proved to be equal by breaking the social taboos and ignoring the social sanctions joining the urban labour force and proved to be efficient. The light and less skill intensive production activities are suitable for women and there exists considerable scope in the export oriented assembly line industries. It is observed that the female-male wage differential in industries is lower for workers with higher skills and higher education. To achieve gender equity social sectors, particu-

larly education and health should receive more allocation. Greater emphasis should be placed on women's education and health.

For effective planning to achieve gender equity, data should be disaggregated by gender. To enable women to receive effective protection from existing laws, legal training and legal aid services should be strengthened.

In trade policy formulation, likely effects on women should be carefully analyzed. Assistance should given to those industries which employ proportionally more women.

In macro policy formulation the non-monetized activities, principally done by women, should be taken care of so that incentives for these activities can be given.

Protection should be given to the self-employed women through trade policy instruments and this will have positive impact on efforts in alleviating poverty. Specially handloom sector should be protected.

Finally, given the nature of the global economic recession and far reaching changes which have been undergoing all around the world, it will be perhaps naive to assume that no adjustment is needed. Of course, there is a need for adjustment. But who will adjust and what types of adjustment? Policy reforms, including those related to trade, in Bangladesh have not originated from indigenous policy analysis.

Neither all segments of the society, including women, have been consulted. The donor driven reforms, often encouraged growth which instead of reducing poverty augmented it. So there is a need for wider policy dialogues with different classes/groups of people which are now falling apart. The polarisation coupled with pasteurisation may create a situation in a country like Bangladesh where democracy may be the casualty. In such a situation, the women will be the net losers as many of their new initiatives for cooperation will be seriously affected. Hence policy makers should not get carried away by only improve growth. That growth has to be decentralised, poverty reducing and gender sensitive.

A careful reading of James Novak's fascinating, indeed outstanding, work, Bangladesh — Reflections on the Water, constantly reminded me of Alexis de Tocqueville, the French writer, who visited the United States more than one hundred years ago. Every page of the book — from its precisely written introduction to its careful bibliographical essay — consistently deluged me with the impression that Novak's Bangladesh has the potential to merge as essential reading for any serious student of this country, just as de Tocqueville's Democracy in America has long been for students of that society.

Novak — an American visitor turned close observer and watcher of turbulent events in Bangladesh — sketches an essentially optimistic portrait of the land that has been dismissed by many visitors, including some prominent personalities of his own country, as a "bottomless basket." His analysis of the Bangladeshi people, their Indian and Bengali heritage, their lifestyles, psychology, history, and culture, and their economic, social and political behaviors is exceptionally penetrating, demonstrably insightful and painstakingly provocative.

Although Bangladesh has remained a fascinating land for ages — and although it has attracted many visitors from distant lands — Novak is right, it has never succeeded in enticing them to put down their roots in this soil, except for, perhaps, an insignificant number of missionaries. Neither the British that ruled the country for 190 years, nor the Punjabis that attempted to colonize this country for 24 years settled in this land — they came, worked for their missions, and then left. Novak, whose missionary brother Richard was killed in 1964 in the then-East Pakistan, however, made it a point to learn about this society. This book is an outcome of his three decades of intricate association with all segments of people in Bangladesh.

As the contents indicate, Novak's book is all-encompassing. It examines the economy, society, politics, geography, history, art, music — almost every aspect of Bangladeshi life. Among all these, the chapter on "The Seasons" is perhaps one of the most fasci-

# Positive Predictions for Bangladesh

Bangladesh — Reflections on the Water. Written by James J Novak. Published by University Press Limited, Dhaka in association with Indiana University Press, Bloomington, USA. Price Taka 200. 238 pages. Includes bibliographical essay and index. Reviewed by Dr CAF Dowlah

nating literary works on this subject. Expect for perhaps Nirod Chowdhury, few writers have sketched such a magnificent picture of the fluctuations of the seasons and the way they affect the lifestyle and psychology of Bangladeshi people. To Novak, Bangladesh is a peculiar delta. Not only do the rivers flow into the sea, but the sea, via the tides, also flows into the rivers. The Ganges-Padma is not just a river, but also "the last resting place, the mother breast, the flowing course of history" (P 26). To him the blending of the currents of the rivers and the mixture of the salt and fresh water is much like the culture, "comprised as it is of the rivers of Hindu, Buddhist, Muslim, and animist civilizations, each of which has flooded the nation on its time." (P 30).

## BOOK REVIEW

doubts that the Greek forces were worn down by oppressive heat and ran short of supplies, many believe that the Conqueror was baffled by the unpredictability of the mindset of the inhabitants of the area.

Novak's analysis of the Bangladeshi mind, highlights many incidents through which the British inflamed Hindu-Muslim tensions at the turn of the twentieth century. He depicts events that led, with active instigation of the British rulers, to politicization of religious differences between Hindus and Muslims, and how both the groups were made to forget the links of language and culture that kept them united for centuries. While such a religious message eventually led to separation of Hindus and Muslims in two

## HOW DO BANGLADESHI INTELLECTUALS THINK?

Novak has an answer for it. He believes both 'Islam and secularism are dominant forces of thought among them, and for that he thanks the "timeless wonder" of the multifaceted texture of Bangladeshi culture with roots in ancient animist, Buddhist, and Hindu heritage. These "upper-class Brahmins," Novak writes, continue to sit "on the sidelines, haunted by, vaguely yearning for, and dreaming of the socialism, romanticism, and austere life Tagore visualized in his more poetic moments" (p 121). No doubt Rabindranath Tagore's ideas, especially his humanism, holism, love for workmanship, and romantic escapism from the mundance world of power, money, and success greatly influenced many who played key roles in the nation's independence war. It is also true that his "ambiguous legacy of mild communism" or "close association with the socialist guild movement in England" had a far-reaching impact on the minds of intellectuals here. Novak does mention the name of Kazi Nazrul Islam several times as a source of inspiration for Bangladeshi intellectuals, but Nazrul perhaps deserved a little deeper recognition.

The author, however, is right in pointing out that intellectuals in Bangladesh "do not represent the people. They are, often as not, unwilling to dirty their hands in politics by seeking to ameliorate many of

the evils perpetrated by successive leaders; and their ill-informed" (P 118).

## SOME SHARP WORDS, ABOUT EDUCATION

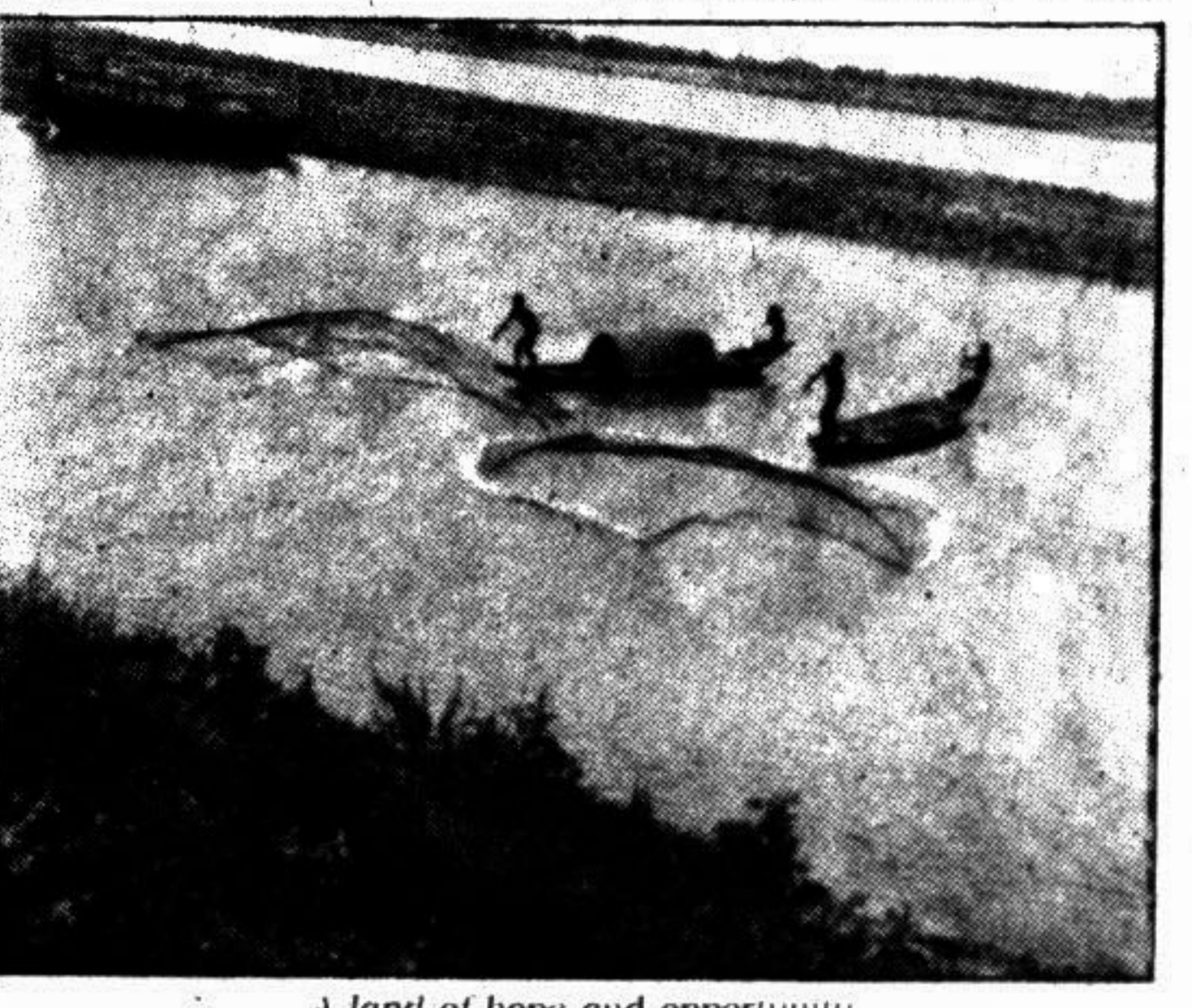
The author is extremely critical of the higher education system in Bangladesh. To him, higher education in the country has one major purpose — "indoctrination of students, who are recruited by the political parties and turned into activist political fodder." As a result, Novak explains, "professors became the indoctrinators, and universities became political institutions hiding behind academic freedoms." Students are recruited to nearly full-time agitation almost when they arrive on campus. "Perhaps he exaggerated for effect, but few will disagree with his assertions that students "do not read the ancient classics of Islamic philosophy, the poetry of Rumi or the ancient law texts of pre-Muslim India. They do not have time for Hobbes, Locke, Bentham, Mill or Burke" (p 128).

## WILL BANGLADESH SURVIVE?

Right before finishing his provocative journey through the history, culture, politics and society of Bangladesh, Novak asks the most unescapable but puzzling question — will this country survive? The answer, for an awfully optimistic Novak, is an unmistakable yes — "barring unmitigated disaster of scale yet unimagined. Bangladesh will survive and prosper in the years to come" (p 207). Compared to many other nations only two decades after independence, Novak asserts, Bangladesh has done well — not as well as Taiwan and South Korea but better than Indonesia and the Philippines at the same twenty year mark. Through still very poor, it is no more a "bottomless basket." The country's first twenty years have seen "significant health, population, infrastructure, agricultural, and industrial advancements — ones that even the most optimistic observers would not have predicted in 1972" (p 210).

Extracts from a review by Dr CAF Dowlah

[This review expresses the opinion of the reviewer; neither the review nor the book necessarily reflect the views of the US government or the US Information Service.]



A land of hope and opportunity

## PORTRAYING THE BANGLADESHI MIND

"Aspects of the Bangladeshi Mind" is perhaps the most striking and sensitive chapter of Novak's book. Novak knows well that even Alexander the Great of Macedon retreated without fighting with the people of the lower Ganges, the land that now forms Bangladesh. Although no one

different states in 1947, Novak does not fail to out another powerful message that entered the political bloodstream during this period — the concept of secularism as a political and social paradigm. It lingered on and contributed to the emergence of Bangladesh in 1971 as a secular state. A vital aspect of the Bangladeshi mind, the author points out, is the constant