

The Informal Sector in Bangladesh: A Case Study of Rural and Urban Street Vendors

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The informal sector contributes significantly to the overall economy of many countries including Bangladesh. Heightened unemployment rate coupled with widespread poverty has led street vendors progressively to become a prevalent informal group in Bangladesh. Studies on street vending in Bangladesh are very limited. The present study was carried out to address some important gaps in the existing literature. Principally, it examines the socio-demographic features of the street vendors in Bangladesh. Then, it portrays an economic sketch of the street vending profession. Finally, it looks at the threats, insecurities and supports associated with street vending in Bangladesh. A structured questionnaire survey was administered in both rural and urban areas of 33 districts (out of 64). The size of the sample was 777. It was found that mostly the illiterate younger males with a larger family size are predominantly engaged in different trades of street vending. Despite having potentials, street vending cannot be labeled as decent entrepreneurship as investments, income and savings of the vendors are minimal. The government does not have any specific measure for supporting their entrepreneurship development rather it often adopts harsh measures against street vendors. Few recommendations have been put in place to overcome the obstacles in this sector.

Keywords: Informal sector, street vending, socio-demographic profile, economic factors, Bangladesh

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Introduction

The informal sector has a significant imprint on the economic development of a country (World Bank, 2007). It is estimated that more than 60% of the employed population of the world make their livelihoods in the informal sector of the economy (International Labor Organization [ILO], 2018). Informal sector plays a vital role in a country like Bangladesh. In the event when the formal sector cannot ensure enough job opportunities, people in need engage themselves in small-scale, micro level production and distribution of goods and services in the informal sector (Ali, 2013). According to the Bangladesh Quarterly Labor Force Survey 2015-16, at the national level, 86.2% of the employed population engaged in informal employment/sector (Bangladesh Bureau of Statistics [BBS], 2017). Street vendors are primarily the major self-employed workers in the informal sector. They may be defined as traders who sell goods and services to the public without having a permanent/ fixed premise or solid arrangement required for conducting business (Bhowmik, 2005; Saha, 2011). Street vendors provide the opportunity to have easy access to goods and services to the public. They sell products from fresh fruits and vegetables to construction materials; garments and crafts to electronics items; ready food to auto parts and repairing items. An official report estimates that 12 to 24% of the total urban informal employment in African, Asian and Latin American cities is constituted by street vendors (Roever, 2014). Many unemployed males and females choose street vending as a primary or secondary/extra source of income generation (Andringa & Kies, 1989). Not only does street vending strengthen the economy but it is also considered as a feasible livelihood due to its small start-up costs as well as flexible working hours and low barrier to entry (Women in Informal Employment: Globalizing and Organizing [WIEGO], n.d.). In most of the cases the street vendors have little or no formal training, but are self-employed and self-developed by years of experience and copying fellow businessmen (Akharuzzaman & Deguchi, 2010; Etzold, Hossain & Rahman, 2014).

Street vending is a prevailing and distinctive part of a large informal sector in urban, semi-urban and rural areas in Bangladesh. Street vending as a profession not only generates income and employment for the relatively poor population in Bangladesh, it also provides useful services to the community (Suraiya & Noor, 2012). Keeping count of the number of vendors is a difficult task because many vendors are on a

constant move from one site to another. There are approximately 2.5 million street vendors in Bangladesh who are generally classified into four groups such as fixed vendors, semi-fixed vendors, mobile vendors and seasonal vendor (Chowdhury, Rezwana & Alam, 2015). Dhaka, the capital city of Bangladesh, is the working place of an overwhelming number of street vendors. Without street vending in urban areas, a large number of urban dwellers would fall into a critical situation with regard to the smooth-functioning of their lives (Suraiya, & Noor, 2012). Noticeably, street vendors in Bangladesh are more exposed to adverse conditions compared to those in other countries due to greater poverty, lack of space for vending and lack rights (Bhowmik, 2005). Moreover, street vendors in Bangladesh are also deprived of loans required to boost their business (Husain, Yasmin & Islam, 2015).

There has been a tremendous change in the number of women engaged in street vending in Bangladesh, although street vending is still regarded as a non-traditional and male-dominated. Women vendors in Bangladesh earn less than men (Khanam, 2008). However, in those African countries in which women traditionally tilled the fields, women entrepreneurship is dominant in the informal sector, and women entrepreneurs earn four to sixteen times the minimum legal wages (Otoo, Fulton, Ibro & Lowenberg-DeBoer, 2009).

Scholarly studies on the profession of street vending are very limited in the context of Bangladesh. The available studies have a trend to focus mostly on the state of urban street vending in Dhaka. The present study is the first major attempt to explore the dynamics of rural and urban street vending in Bangladesh on a single framework. By critically examining the existing knowledge gap on street vending, this study attempts to unearth the following objectives:

- (i.) To examine socio-demographic profiles of the rural-urban street vendors of Bangladesh;
- (ii.) To explore various economic factors of the rural-urban street vending in Bangladesh;
- (ii.) To explore the threats, insecurities and supports associated with rural-urban street vending in Bangladesh.

Research Design

This is a kind of exploratory research, and the purpose is to provide descriptions of some of the basic features of street vending in rural and

urban areas from Bangladesh. Street vendors are found all over Bangladesh. In order to explore the state of state vendors on some measurable criteria, 33 well trained educated groups (trainee civil service officials) collected data through from 33 administrative districts (out of 64) of Bangladesh. Each group consisted of 9-10 members. Data were collected between the time span of December 2016 to January 2017. Data collectors had carried 900 sets of questionnaires with them, and 877 filled-in questionnaires were returned. Out of them, 777 filled-in questionnaires were found perfect/valid in all respects although in some cases complete responses were not availed for some unavoidable reasons. In fact, few data were missed out in the study. Data collectors had the freedom to collect data either from rural or urban areas. It was found that 61% of the respondents of this study were from urban areas and the rest were from rural areas. Both purposive and random sampling methods were used for this study. Informed consent was taken from each of the respondents before conducting the survey. Alongside, all other general rules of ethics were maintained. Data were analyzed and presented using the descriptive statistical analytical approach.

Data Analysis and Discussion

Socio-Demographic Profiles

Socio-demographic characteristics include survey area, location, age, sex, marital status, educational status, residential status and household size. Different analyses of the parameters are illustrated in the following sections.

Location of the Respondents

This study was conducted in both urban and rural areas in Bangladesh. From the survey area distribution, it was found that street vendors are mostly operating their business in urban (61.0%) areas than rural areas (39.0%). Meaning that this sector is generating more employment in the urban areas in Bangladesh than that of rural areas.

Table 1: Area-wise Distribution of the Respondents

AREA	NO OF RESPONDENTS	PERCENT
Urban	474	61.0
Rural	303	39.0
Total	777	100.0

Age

It was found 35% street vendors are aged between 31-40 years, followed by 22.9% from age group between 21-30 years. After 50, people generally do not get engaged in this sector. Only 5.3% of the respondents are aged over 50 years. Street vending profession demands physical labor as the vendors need to carry the goods from here and there. Thus, once people get older, they usually withdraw themselves from such a labor-intensive profession. It was also noted that a considerable number (20.2%) of younger people aged below 20 years are involved in this profession.

Gender

Males are predominantly involved in street vending. Nonetheless, females are also getting involved in this business. It was found that 87.5% of the respondents are males and the rest (11.5%) are females. Most female entrepreneurs are engaged in the informal sector as an extension to their family activities.

Education

It was further revealed that most of the street vendors are illiterate. Among the respondents, 27.7% are illiterate, and 25.7% are educated up to the primary level. Only 3.6% of the respondents have completed secondary level education, and 1.2% completed higher secondary level education. It was evident that working capital and hard work are more important than that of formal education in the event of street vending.

Household Size Distribution

It was revealed that 46.5% respondents' household is constituted with 4-6 members, 33.3% respondents' household is constituted with more than 6 members, 12.6% respondents' household is constituted with 2-4 members, and 7.4% respondents' household is constituted with less than 2 members. Results indicate that the middle-sized family is the dominant mode of household pattern among the street vendors.

Economic Factors of Street Vending

Analysis of economic factor includes important parameters such as capital, trades, type of ownership, income, and savings. In this specific study, capital has been defined as the amount of initial investment, and also the types of management of the business. Trades have been defined as the goods/products that are sold by the vendors. Income has been

defined as the output from selling the products, and saving has been defined as the difference between income and input cost.

Capital Investment

It was found that 80.8% amongst the total 777 respondents started their business with an initial capital investment of 30,000² Bangladeshi taka. Notably, such an amount is very insignificant for running a decent business in the current context of Bangladesh. Only 6% of the respondents had an initial capital of more than 1,00,000 taka. The following information (Table 2) depicts the amount of initial investment made by respondents.

Table 2: Capital Investment

AMOUNT IN TAKA	PERCENT
Less than 30000	80.8 (628) ¹
30000-50000	4.9 (38)
50000-100000	4.5(35)
More than 100000	6.0 (47)
No response	3.8 (29)
Total	100.0 (777)

Business Management

Street vendors staff their business with either paid employees or unpaid family members, with 72.3% run by the paid staff, and 16.7% by unpaid family members. Paid non-family staff are recruited only when the business and income gets larger.

Table 3: Business Management

Business Staff	Percent
Own paid staff	72.3 (562)
Unpaid family members	16.7 (130)
Others	6.8 (53)
No response	4.1 (32)
Total	100.0 (777)

Trades

Vendors of both rural and urban areas in Bangladesh are engaged

² One dollar equals approximately 84 Bangladeshi taka as at 2/13/2019.

in a variety of businesses. They usually sell vegetables, fruits, garments, electronics product, tea, grocery and various household items. The following Table-4 depicts the types of products/goods sold by rural and urban street vendors. Markedly, vegetables, fruits, and tea are some of the most common items sold by the vendors.

Table 4: Types of Trade

TYPE OF TRADE	PERCENT
Vegetable	16.5 (128)
Fruits	16.1 (125)
Garments/Textile	8.1 (61)
Electronics	2.1 (17)
Grocery	5.8 (45)
Tea	15.6 (121)
Others	32.6 (253)
No response	3.2 (25)
Total	100.0 (777)

Monthly Income

In the following Table-5, the monthly income of the vendors is presented. It was found that most street vendors (78.5%) had a monthly income of less than 10,000 taka. In the current context of Bangladesh, maintaining a family with this amount is exceedingly difficult. Only 4.2% of the respondents had a monthly income of more than 15,000 taka

Table 5: Monthly Income

Amount in Taka	Percent
Less than 10000	78.5 (610)
10000-15000	16.1 (125)
More than 15000	4.1 (32)
No response	1.3 (10)
Total	100.0 (777)

Monthly Savings

The following table gives a statement of the monthly savings of the vendors. It was found that most of the vendors could not save significant amount of money from their business. Amongst the respondents, 16.9% can make no saving from their business, 53.2% can save less than 5000 taka, and only 1.2% can save more than 10000 taka. Considering the amount of savings, it can further be stated that as a profession street

vending has a very limited impact on maintaining decent livelihood for the vendors.

Table 6: Monthly Savings

SAVING IN TAKA	PERCENT
No Saving	16.9 (131)
Less than 5000	53.2 (413)
5000-10000	2.1(18)
More than 10000	1.2 (9)
No response	26.6 (206)
Total	100.0 (777)

Sources of Loan

Most street vending operations prefer to take loans from non-governmental organizations (28.7%), followed by individuals/relatives/friends/others (12.7%). Only few (4.0%) respondents obtain loans from the government banks. Data indicate banks and other institutional financial institutions are very reluctant to provide loans to the vendors. It is further to be noted that more than half of respondents are able to operate without the need for loans.

Table 7: Sources of Loans

SOURCES OF LOAN	PERCENT
Bank	4.0 (31)
NGO/association	28.7 (223)
Individual/friend/relative/other	12.7 (99)
No loan from any sources	54.6 (424)
Total	100.0 (777)

Business

People enter street vending for various reasons, ranging from poverty, unemployment, family and social pressure to a desire to be independent entrepreneurs. It is revealed that 54.4% of the respondents entered this business due to poverty, followed by unemployment (19%), motivation to do independent business (11.6%) and family pressure (10.6%). In a few cases, various social pressures also forced the respondents to become involved in street vending.

Out of 777 respondents, there were noticeable fluctuations about receiving responses on issues related to institutional supports.

Table 8: Driving Forces for Street Vending

FORCES OF BUSINESS	PERCENT
Poverty	54.4 (423)
Unemployment	19.0 (148)
Family pressure	10.6 (82)
Social pressure	1.0 (8)
Motivation to be independent entrepreneur	11.6 (90)
Others	0.8 (6)
No response	2.6 (20)
Total	100.0 (777)

Supports, Threats, and Insecurities of Street Vending

Threats and Insecurities

Street vendors face a lot of problems in managing their day to day business environment. The following table depicts the state of insecurity and threats in Bangladesh. Descriptive inference illustrates that “insecurity”, “inadequate storage facility”, “no fixed space”, and “water logging/poor sanitation” are some of the major problems faced by street vendors.

Table 9: Issues of Threats & Insecurities

ISSUES OF THREATS & INSECURITIES	YES %	NO %	TOTAL
Local political pressure	50.47(396)	34.6(269)	85.6(665)
High space rant	41.00(319)	50.0(319)	82.1(638)
Poor government intervention	48.8(379)	40.2(255)	81.6(634)
License, fees, tolls	36.3(302)	45.7(355)	82.0(657)
Inadequate store facility	60.00(466)	21.9(170)	81.9(636)
Insecurity	63.9((496)	18.5(144)	82.6(640)
Evictions	57.2(444)	20.7(161)	77.9(605)
No fixed space	58.9(458)	21.1(164)	80.1(622)
Water logging/poor sanitation system	57.9(450)	21.8(169)	79.7(619)

Institutional Support

There is no specific government support for street vending in Bangladesh. Only very few respondents receive any support from the government. Nevertheless, vendors always have an expectation to avail government supports for the promotion of their businesses. The following information demonstrates the level and sources of institutional support. The level of institutional support from the national, local and city governments, and also from the community police does not vary significantly. The level of their contribution regarding entrepreneurship

development and employment generation seems to be very unsatisfactory. Thus, the result revealed that in order to develop this profession it is imperative to have strong institutional supports.

Again, out of 777 respondents, there were noticeable fluctuations about receiving responses on issues related to institutional supports.

Table 10: Institutional Supports

INSTITUTIONAL SUPPORT	RECEIVED %	NEVER RECEIVED %	TOTAL
National government	33.9(263)	49.8(387)	83.7(650)
Local government	48.8(379)	34.9(271)	83.7(650)
City government	35.8(278)	56.1(355)	81.5(633)
Police	38.1(296)	53.3(338)	81.6(634)

Conclusion and Recommendations

Street vending is an important sector of the economy in Bangladesh. The formal sector to accommodate the available labor force, and the informal sector plays a complementary if modest role towards the reduction of poverty. Although the importance of street vending is increasing, studies are limited and the present study was carried out to provide some general and basic information. Socio-demographic profiles of the respondents indicate that such business is more prominent in urban areas, and that it is males aged between 31-40 years who are mostly involved. Street vendors are generally illiterate, and their family size mostly comprises 4-6 members, and at the end of the month they seldom have any savings. at the end of the month. In order to increase the size of the businesses, it is imperative to have enough working capital. Acquiring a loan is one of the means to increase working capital. Yet, sources of acquiring the institutional loan are very limited for the vendors. Although Bangladesh is achieving a relatively faster economic growth rate, many people still live under the national poverty line and often struggle to maintain a decent standard of living.

It is evident that although street vending is a profession that creates employment and is an important avenue to poverty reduction, there are no apparent policy support measures..Conversely, various threats and challenges stand as obstacles for expansion of this sector. Thus, it is imperative to have programs in place to support this large informal sector.

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Footnotes

¹The figures in the parenthesis show the number of the respondents.