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BBA

A SURVEY ON INFORMAL
SECTOR IN DHAKA
METROPOLIS



PROJECT REPORT ON
A SURVEY ON INFORMAL SECTOR IN
DHAKA METROPOLIS

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May 2, 2011

M. Sayeed Alam
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Subject: Submission of Project Report


Dear Sir

With great pleasure I submit the project report on “A survey on informal sector in Dhaka metropolis”. In this report my main purpose is to collect primary information on informal enterprises in Dhaka city. In addition I have also focused to examine the present status of informal business sector, to find out the problems of informal business sector and to identify the future aspect of Informal Business sector for the economic growth in Bangladesh. I expect this report to fulfill the requirements of my final project requirement (BUS 498) to fulfill my graduation.

I have put my best effort to make this report a success. However I hope that this report could have been a better one. However this has been obviously a great source of learning for me to conduct similar research studies in future.

I would like to express my sincere gratitude to you for your guidance and suggestions in preparing the report. I will be happy to provide any further explanation regarding this research report if required.

Thanking you

Sincerely yours,

Umme Habiba

Id# 2007-2-10-094

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My heartiest thank to all the respondents (street vendors) without their participation it would not be possible to conduct this research. I also like to thank each and every person who helped me in different matter to this analysis procedure.

I would like to thank the library authority, computer lab authority. I acknowledge all the assistance and guidance that I received from my honorable supervisor M. Sayeed Alam.

However I am the only responsible for the errors and omissions in the report, if any.

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Executive Summary

Informal sector enterprises that usually possess the following features- ease of entry, family ownership, small-scale operation, reliance on indigenous resources, use of labor intensive and adopted (often low-level) technology, acquisition of skills outside the formal schooling system, and unregulated and competitive market prevalence. The magnitude of informal-entrepreneurial activities plays a decisive role in the economic development of the rural livelihoods, especially in third world countries. The contribution of the informal sector to the economy, particularly in terms of employment generation, is very large. According to one estimate, more than 60 per cent of those working in the non-agricultural sector are entered into the informal business sector in Asia. Due to a lack of employment opportunities in the public sector and in the private formal sector, many people are forced to join the informal business sector to earn a living. Although their earnings remain low and a large number are classified as poor, without the informal sector, their earnings would be negligible, and as a result the intensity of their poverty would be even more severe. Informal business sector has always been considered as a proven instrument to fight poverty in an effective manner. As a consequence, poverty alleviation through rural centric micro-entrepreneurship development has been focused for more than the last thirty five years in Bangladesh. There are a number of prevailing factors that spoil the development of informal-entrepreneurship in Bangladesh.

Among all the factors, non-institutions encompassing various political, economic, social, cultural, technological, environmental and personal factors are affecting the scopes of operating these economic activities to a significant extent. This paper attempts to identify the present status of Informal Business sector in Dhaka metropolis and also tries to find some key non-institutional barriers that hinder the development of informal-entrepreneurship in Bangladesh, and suggests a composite policy measure to overcome such encumbrances.

CHAPTER 1

Introduction

1.1 ORIGIN OF THE REPORT:

This project report has been authorized by M. Sayeed Alam as a fulfillment of the requirement of the course BUS 498.

1.2 Objectives of the Study

Broad Objective:

The purpose of this research is to collect primary information on informal enterprises in Dhaka city.

Specific Components: To attain the broad objective, following specific objectives are pursued:

1. To examine the present status of Informal Business Sector in Bangladesh.
2. To find out the problems of Informal Business Sector in Bangladesh.
3. To identify the future aspect of Informal Business sector for the economic growth of the country.
4. To provide some recommendations.

1.3 Methodology of the Study:

This study centers on Dhaka metropolis including Mirpur, New Market, Gulshan and Mohakhali. Finally, a total of 50 informal entrepreneurs are interviewed in-depth by the authors; of which, 12 are processed food vendors, 10 are raw food vendors, 9 are clothing hawkers, 8 accessory vendors, 7 household items hawkers, and 4 miscellaneous vendors. Since processed food vendors are more visible on the busy road sides and represent the predominant stratum. Small cell phone recharging center, Cobbler, Toy vendors are included into the category of miscellaneous. The study was conducted on the basis of primary and secondary sources of data which are collected from the informal

entrepreneurs through questionnaire. In addition, required data were collected from various journals and related publications. Analysis has been made on the basis of the objectives mentioned above.

1.4 Limitations of the study

There are some limitations for conducting this research are given below:

- ✓ They have not enough time for responding to the questionnaires.
- ✓ Only urban areas of Bangladesh have considered.

CHAPTER 2

Overview of Informal Business Sector:

2.1 Definition and concept of informal sector

Since its first appearance in the early 1970s, the term informal sector has become so popular that now days it is used with different meanings for different purposes. However, the starting point may be the Fifteenth International Conference of Labor Statistician (ICLS) held in January 1993. The resolution of 15th ICLS defines informal sector as follows:

“The informal sector may be broadly characterized as consisting of units engaged in the production of goods or services with the primary objective of generating employment and incomes to the persons concerned. These units typically operate at a low level of organization, with little or no division between labor and capital as factors of production and on a small scale. Labor relations-where they exist- are mostly based on casual employment, kinship or personal and social relations rather than contractual arrangements with formal guarantees.” Informal sector was first “discovered” in the early 1970s (Bangasser, 2000; ILO, 2002; Adams, 2004; Haan, 2006; Fox and Gaal 2008). In the literature, the informal sector is referred as black market, shadow economy, illegal economy, corruption, not registered economy, underground economy, informal economy, and so on. Sometimes these definitions are used as synonyms; however, in some occasions they differ in meaning depending on which particular dimension of informality they focus (i.e. tax avoidance, corruption, illegal labour, etc.). Nevertheless, all these definitions refer to unregistered or unreported activities within the economy. (Macias and Cazzavillan, 2010). According to SIDA (2004) the term “informal economy” thus refers to all economic activities by workers and economic units that are – in law or in practice – not covered or insufficiently covered by formal arrangements. In fact, at one end of the spectrum of the informal economy are small-scale modern manufacturing and service enterprises. At the other end are street vendors, shoe shiners, junk collectors and domestic servants.

Given the unregistered (hidden) nature of informal activities, measuring or estimating the actual size of informality is very difficult. This sector appears to be extensive in both developed and underdeveloped countries, and is estimated to contribute an amount equal

to between 16 and 75 per cent of current gross domestic product in many Third-World countries (Abedian and Desmidt, 1990; ILO, 1992). Nonetheless, informal sector remains under the shadow of formal economy (Ihring, J. and K S Moc, 2004; Scgneider, F and R Klingmair, 2004; Schneider, 2007).

It should be noted that

The informal sector had to be defined in terms of characteristics of the enterprises in which the activities take place, rather than in terms of the characteristics of the persons involved or their jobs.

- Informal sector only belongs to the households sector- there is no any informal sector activities in other institutional sector namely, (i) general government sector , (ii) Financial sector, (iii) Non financial sector and , (iv) NPIs sector.
- All informal sector enterprises can be regarded as household unincorporated enterprises but the converse is not true. That is all household unincorporated enterprises cannot be regarded as informal sector enterprises. Thus informal sector enterprises can be regarded as a subset of the household unincorporated enterprises.

One of the distinctions between household unincorporated enterprises and informal sector enterprises is based on whether or not an enterprise employs some employees on a continuous basis. That is household unincorporated enterprises are Employers enterprises i.e. Enterprises employ paid labor on continuous basis. On the other hand, informal sector enterprises are mainly own –account enterprises. These enterprises mainly employ unpaid family workers- also may employ paid workers on an occasional basis.

The production units of the informal sector have the characteristics features of households enterprises and thus fixed and other assets used do not belong to the production units as cannot engaged in transactions or enter into contracts with other units, nor incur liabilities on their own behalf. Expenditure for production is often indistinguishable from household expenditure.

2.2 Characteristics of informal sector

The main characteristics of the informal sector are as follows:

- These enterprises are unregistered.
- Small scale operation, low level of productivity.
- Generation of income is low (mainly mixed income, income as wages and salary is very insignificant)
- Little or no access to institutional credit and organized market.
- Production process generally does not use modern technology.
- Workers are generally unskilled.
- Labor relation mainly based on casual employment, kinship, personal/ social relation but generally not on contract basis.
- Generally not recognized or regulated by the government rules.
- Activities are undertaken generally for self-employment or to earn additional income.

CHAPTER 3

Informal Business Sector in Bangladesh:

3.1 About Bangladesh

Bangladesh is a small country (147,570 sq.km) with large number of population (140.00 million). Population growth rate is around 1.40 percent. The civilian labor force (15 +) has been estimated at 49.5 million (LFS-20050-06) of which 37.4million are male and 12.1million are female. Active civilian labor force (employed population) has been estimated at 47.4 million of which 36.1 million are male. Unemployment rate (excluding under employment) is 4.2%. Around 48% of the total active civilian labor force is engaged in agriculture sector. The GDP (gross domestic product) size is around 4000.00 billion with average growth rate 6.36 %.

Bangladesh is a developing country and like other developing countries, informal sectors present a significant part of the economy and play an important role in employment creation, production and income generation. In Bangladesh, informal sector covers a

wide range of economic activities producing goods and services which has substantial contribution to the GDP.

3.2. Informal Sector activities in Bangladesh

Bangladesh is a developing country. Like all other developing countries informal sector plays an important role in the economy and income generation. In Bangladesh, informal sector covers a wide range of economic activities producing goods and services which contribute much to GDP. Though informal sector activities are substantial in Bangladesh yet much attempt has not been taken to quantify the magnitude and incidence of informal activities.

Even informal sector activities in Bangladesh are not adequately defined but informal sector activities are taking place using mostly indigenous raw materials, small capital with small setup. Labor relations are based mostly on casual employment or kinship rather than contractual arrangement with formal guarantees. Sometimes it is difficult to identify the informal sector activities from the formal ones particularly when these enterprises are operated in the location other than household premises. However, following major categories of informal activities are taking place in Bangladesh.

- Production of crops and horticulture.
- Own –account construction,
- Significant part of animal farming
- Significant part of the forestry
- Significant part of the fishing.
- Retail trade
- Unorganized transport (rickshaw , bull cart, country boat)
- Rental services
- Some part of education and health services (Homeopathic, ayurvedic treatment,
- coaching of student by individual person)
- Very small hotel and restaurant services (snakes and tea-stall).

3.3 Measurement of informal sector and informal employment in Bangladesh

Bangladesh Bureau of Statistics, NSO of Bangladesh, has not yet attempted to collect data on informal sector and informal employment in the country. Bangladesh Bureau of Statistics (BBS), the national Statistical Organization, is entrusted with the responsibility of collecting, collating and disseminating of statistical data but BBS yet has not conducted any survey or census exclusively on informal sector activities. However, Bangladesh bureau of Statistics, for the first time, conducted a Census on Non-farm Economic Activities (Economic Census) in 1986 to collect data pertaining to all non-farm economic activities irrespective of formal and informal sector. BBS also conducted Economic Census for the second time in 2001-03. But the findings of this survey do not provide data on informal sector activities properly from users' point of view. Some years back, Bangladesh Institute of Development Studies (BIDS) conducted a pilot study on informal sector in 4 selected urban and rural thanas. But the scope and objectives of this survey was rather limited. So the findings are not nationally representative and there might be some definitional problem also. Actually there are no adequate data on informal sector activities in Bangladesh which can help us in clear understanding about the volume and incidence of informal sector activities as well as informal employment. In recent years, some NGOs are working to support informal sector activities. Government of Bangladesh has also taken initiatives to support informal sector activities through rural credit programme for reduction of poverty. So we need comprehensive data on informal sector activities. Informal sector statistics are also needed for improvement of National Accounts Statistics in Bangladesh though BBS include part of the informal –sector activities as data sources permitted.

3.4 Size of informal sector in Bangladesh

It has already been mentioned that adequate statistical data is not available in Bangladesh to appropriately measure the economic size of the informal sector in terms of value added as well as in terms of employment. However, following tables are presented here to have a rough idea on informal sector activities in Bangladesh.



Table 1: Distribution of formal and Informal sectors by ISIC sectors.

ISIC sectors	Activities		Remarks
	Formal	Informal	
Agriculture			
a. Crop and horticulture	Very small part formal	Mostly informal	Crops production activities are almost informal (except tea cultivation)
b. Animal farming	Very small part formal	Mostly informal	All the small scale or household owned farms belong to informal. Government and large-scale private farm belongs to formal sectors
Forest and related services	Very small part formal	Mostly informal	Very small part of forest and forestry related services are controlled by the government or other organized private sector. Most of the forest activities are done by house holds
2. Fishing	Very small part formal	Mostly informal	Some fish farms are controlled by the directorate of fisheries and organized private sectors. Rest is all informal.
3. Mining and quarrying	More part formal	Less part informal	Stone, boulder and sand collection are informal. Natural gas, crude

			petroleum, coal are formal.
4. Manufacturing			
a. Large scale	Fully formal	-	
b. Small scale	Very small part is formal	Mostly informal	
Electricity, gas and water supply			
a. Electricity	Fully formal	-	Very insignificant part of electricity is generated from Bio-gas plant which belongs to informal sector.
b. Gas	Fully formal	-	Very insignificant amount of gas generated from Bio-gas (cow dung) plant which is consumed by household only.
c. Water supply	Mostly	-	Mostly natural water is used and not
6. Construction	Very small part formal	Mostly informal	Mostly own-account construction. Few construction farms in big city are engaged in construction activities.
Wholesale and retail trade.	Small part is formal	Large part is informal	Small tea stall, street hawkers, and small retail traders are informal. Few whole sale traders are formal.
8. Hotel and restaurants	Mostly formal	Very small part is	Unregistered and

		informal	very small hotel and restaurants particularly in rural areas are informal
Transport , storage and communication			
a. Land transport	Mostly formal	Small part informal	Only rickshaw, bull cart are informal sector.
b. Water transport	Mostly formal.	Small part informal	Country boat, engine boat are informal
c. Air transport	Fully formal	-	
Financial intermediation		Fully formal	
a. Financial intermediation	Fully formal	-	
b. Insurance		Fully formal	
1. Real state, renting and business Activities	Small part formal	Large part informal	Other than the registered real estate companies. all other occupied residential houses including the imputed rentals and related busiest belong to informal sector.
2. Public Administration and defense	Fully formal	-	-
13. Education	Mostly formal	Very small part is informal	Private coaching is informal.
14. Health and social works	Mostly formal	Very small part is informal	Homeopathic, palli chikitshak is informal.
5. Community, social and personal services	Very small are formal	Mostly informal	Domestic services, religious services, personal services (washer man, barber) rest and recreational are in

Table 2: A rough estimate of the size of informal sector as a percent of GDP

ISIC sectors	Total share to GDP (%)	Share to GDP (%)	
		Formal	Informal
Agriculture			
a. Crop and horticulture	12%	0.18	11.82
b. Animal farming	2.88	0.58	2.30
c. Forest and related services	1.76	0.20	1.60
Fishing	4.73	0.70	4.03
Mining and quarrying	1.18	0.75	0.43
Manufacturing			
a. Large scale	12.47	12.47	0
b. Small scale	5.08	0.10	4.98
Electricity, gas and water supply			
a. Electricity	1.30	1.30	0
b. Gas	0.19	0.19	0
c. Water supply	0.09	0.09	0
Construction	9.15	2.75	6.41
Wholesale and retail trade.	14.24	1.42	12.42
Hotel and restaurants	0.69	0.48	0.21
Transport , storage and communication			
a. Land transport	6.50	4.25	2.25
b. Water transport	0.85	0.65	0.20
c. Air transport	0.11	0.11	0
Post and telecommunication	2.40	2.40	0
D. Financial intermediation			
a. Financial intermediation	1.31	1.31	0
b. Insurance	0.37	0.37	0
1. Real state, renting and business Activities	7.64	0.46	7.18
2. Public Administration and defense	2.75	2.75	0

ISIC sectors	Total Share to GDP (%)	Share to GDP (%)	
		Formal	Informal
Education	2.54	2.06	0.48
Health and Social Works	2.29	1.95	0.34
Community Social and personal services	7.09	0.71	6.38
Total	100	36.91	63.59

NB: Based on very much frazil data and intelligence guess.

Table 3: A rough estimate of the size of informal sector as a percent of labour force

ISIC sectors	Employed persons (Million)	Percent of employed person	Percent of employed person	
			Formal	Informal
Agriculture	22.8	48.10	1.44%	46.66
Industry	6.9	14.55	-	-
Services	17.7	37.35	-	-
Total	47.4	100	-	-

Informal sector activities contribute much to the gross domestic product (GDP) in Bangladesh. Sizeable amounts of labor force are engaged in informal sector. Lack of data on informal sector activities also distorts the estimate of the structure of the economy. So attempt should be taken to measure the informal sector activities so that the required policies can be formulated and implemented in relation to informal sector activities which may have beneficial effect for poverty reduction.

3.5 Formalizing the informal economy – a new agenda for Bangladesh

As explained above, unlike some developing countries, including neighboring India, Bangladesh is yet to adopt any legal tools or mechanisms with the intention to encourage gradual transition from the informal to the formal sector. Given that nothing has been tried in this respect, a rethinking of the operation of the informal economy as well as its future directions is necessary. For this purpose it is to be borne in mind that the informal sector is comprised of micro-entrepreneurs who choose to operate informally in order to avoid the costs, time and effort of formalization including incorporation, tax registration, obtaining licenses and fulfilling other regulatory requirements or because of lack of literacy, skills and entrepreneurship education. Many informal entrepreneurs would be willing to shift to formality if the costs, time and effort of formalization are reduced.

However, as opposed to the view noted above, sometimes it is argued that informal sector should rather be seen as subordinated economic units/micro firms and workers that serve to reduce input and labor costs and, thereby, increase the competitiveness of larger firms. Accordingly, formal and informal modes and forms of production are seen not only to co-exist but also to be inextricably connected and interdependent. Thus, capitalist development and competitiveness (rather than lack of economic growth) are seen to be the reason for the persistence and flourishing of the informal production relationship.

In Bangladesh where a predominant part of the economy operates informally, it is essential to adequately take into account the interconnectedness of the formal and informal economy before making any recommendations for transition from formal to informal modes of production. Like many other countries, informal sector in Bangladesh does not exist in a vacuum. There are clear interconnectedness, partnership and continuity with the formal sector – maintaining a two way flow of labor, goods, finances etc between the two sectors. In Bangladesh rapid transformation of the informal sector may not be possible, feasible and/or sustainable. Policy initiatives to formalize the informal sector should therefore adopt a gradualist approach.

CHAPTER 4

Overview of the Bangladesh legal framework regarding entrepreneurship:

Informal entrepreneurship and employment needs to be understood in relation to the legal framework in any given country. There is a distinction between illegal processes or arrangements and illegal goods and services. While production or employment arrangements in the informal economy are often semi-legal or illegal (e.g. because of absence of required license, tax registration etc), most informal enterprises and workers produce and/or distribute legal goods and services. Admittedly, one part of the informal economy – the criminal economy – not only operates illegally but also deals in illegal goods and services. But it is only a small part of a larger whole that is, for the most part, not illegal or criminal. Many informal entrepreneurs operate semi-legally or illegally because the regulatory environment is too costly, too cumbersome or simply non-existent. Also, many activities in the informal economy do not generate enough output, employment or income to fall into existing tax brackets.

4.1 Business laws and regulations in general

Currently there does not exist a legal framework that could gradually lead to formalization of such businesses. A survey of current business laws and regulations makes it evident that poor informal entrepreneurs cannot easily be brought within the existing legal framework. Instead, a feasible way to afford legal protection to such entrepreneurs would be to put in place a new regulatory regime. The legal framework that applies to businesses in Bangladesh is burdensome, *inter alia*, because of lack of public information about relevant laws and regulations, the fragmentation of legal and regulatory requirements among different ministries and offices, and the delays and demands for informal payments that plague virtually every registration or certification requirement.

The time and expense involved in complying with multiple requirements place a special strain on small businesses, especially at the start-up phase and for micro entrepreneurs in the informal sector, who are the targeted constituents of the Commission these requirements are prohibitively burdensome. Various donors are currently supporting

projects to simplify and automate some of the regulatory requirements, and to publicize the requirements through brochures, toolkits and websites.

4.2 Trade license

Legislation relating to city corporations and municipalities (paurashava) prohibits any person from carrying on or maintaining within the local limits of city corporations or municipalities any trade or business without obtaining a trade license from the City Corporation or municipality concerned.

Informal enterprises operating within the local limits of city corporations or municipalities violate this legal requirement. However, there is no similar requirement for trade licence for enterprises operating outside the local limits of city corporations or municipalities, e.g. rural enterprises. For poor entrepreneurs in the informal sector the procedure for obtaining trade license is both too cumbersome and too costly. Applications for a trade license are required to be accompanied by copies of rent receipt or rental agreement and holding tax payment receipt. Informal enterprises which do not have any legal title to the occupied land or premise cannot fulfill this requirement. There are also additional requirements for incorporated entities and for entities in specific sectors. The cost of obtaining a trade license may vary depending on where the license is obtained. The cost of obtaining a trade license from the Dhaka City Corporation could be up to BDT 5,000, of which governmental fee is BDT 2,000.

4.3 Incorporation

Incorporation is not essential to formally operate a small business. Thus it may be possible to operate formally by obtaining necessary tax and VAT registrations and trade license but without incorporation. Yet, it is recognized that incorporation – whether in the form of company, society or partnership – does provide certain business advantages. For poor informal entrepreneurs existing procedures for different modes of incorporation are prohibitively cumbersome and expensive. The cost of incorporation (excluding legal fees) could be up to BDT 10,000.

4.4 SME Policy

Government has attached particular importance to SME development as a means of poverty reduction. The Bangladesh Poverty Reduction Strategy Paper (PRSP) approved by the Government in October 2005 attaches' importance to SME development and the Government has also adopted an SME Policy. Key elements of the SME Policy include:

- (1) Surveying SMEs to identify industries with growth potential;
- (2) Strengthening the role of public agencies such as BSCIC to provide more effective support to SMEs;
- (3) Providing tax incentives to SMEs;
- (4) Simplifying relevant laws and regulations;
- (5) Fostering subcontracting and other linkages between SMEs and larger enterprises;
- (6) Promoting e-commerce to support SME production and marketing; and
- (7) Establishing an information bank to improve marketing and trade opportunities.

CHAPTER 5

Barrier of Informal Business Sector in Bangladesh:

5.1 Impediments faced by poor entrepreneurs

Operating outside the statutory legal framework has considerable costs. Most self-employed and wage workers in the informal sector are deprived of secure work, social protection, workers' benefits and representation or voice. The self-employed have to take care of themselves and their enterprises as well as their employees (if they hire others) or unpaid contributing family members (if they run a family business). They often face competitive disadvantage vis-à-vis larger formal firms in capital and product markets. Informal wageworkers also have to take care of themselves as they receive few (if any) employer-sponsored benefits. In addition, both groups receive no legal protection from the Government. As a result of these and other factors, a higher percentage of people working in the informal economy, compared to those working in the formal economy, are poor.

The legal and regulatory framework in Bangladesh is such that it is impossible for most informal entrepreneurs to operate formally. Virtually all regulatory requirements for businesses including small businesses, such as registration with the RJSC or the BSCIC, obtaining of a TIN, trade license or other permit and payment of taxes, entail considerable costs. Given the level of literacy and entrepreneurship skill and education, most of the poor entrepreneurs would need assistance if they were to satisfy the currently applicable regulatory formalities. Furthermore, frequent trips to the relevant government offices (sometimes requiring travel to Dhaka or another urban centre) and either the use of influence or informal payments are often required to satisfy regulatory requirements. Also, in order to obtain various regulatory registrations/licenses, a business typically needs to have business premises that are identified as such. Poor entrepreneurs targeted by the Commission or in this working paper are unlikely to have legal title to land or premises.

In order to conduct their business and survive, the self-employed in the informal sector need to bribe not only local extorters but also government officials (e.g. the police, officials of the city corporation etc). They have to offer rents (bribes) to the authorities to safeguard them (e.g. by warding off eviction drives or forewarning them of impending drives). There are other forms of extracting rents. In some cases local musclemen, more often than not with the backing of local political leaders, collect protection fees through threats. Despite the payment of such rents/bribes, their conduct of business is not guaranteed and they lack the protection of law.

Limited access to formal credit is another major constraint on informal businesses. Credit is crucial for the self-employed in the informal sector, both to sustain existing activity and to upscale it. The only source of formal credit extended to informal businesses is NGOs, who extend micro loans. However, the micro credit outreach needs to be expanded much more if credit were to be made readily available to poor entrepreneurs. In addition, other difficulties with micro credit have also been identified in some studies, e.g. repeat borrowing, dependency of borrowers on credit for household expenditure, marriage of children and other business unrelated purposes instead of making (capital) investments, women acting as collection agents for male family members, interest rates etc.

Although many informal entrepreneurs have repayment capacity, absence of collateral and firm domiciliary status usually debars them from obtaining institutional credit other than micro credit from NGOs. Therefore informal entrepreneurs often obtain credit at high interest rates from non-institutional sources. Lack of necessary utility services is a further disadvantage faced by informal business. Even where such services are available they are disadvantageous for poor and small entrepreneurs. For instance, home-based businesses are charged higher commercial utility rates, regardless of the size or revenue of the business. Frequent changes in utility charges can disrupt the business plans of the poor as well as small entrepreneurs.

5.2 Challenges for women entrepreneurs

Several studies have been undertaken in recent years to understand the particular challenges facing women-owned businesses in Bangladesh. For example, the Policy Leadership and Advocacy for Gender Equality Project (PLAGE project) reviewed business policies, laws and regulations in Bangladesh from the perspective of women entrepreneurs, and conducted surveys, focus groups discussions and interviews to better understand the impact of these and other factors on women-owned businesses.

A recent study of rural women entrepreneurs commissioned by CARE identified social constraints at the family, business/market and community levels. While these studies relate to women entrepreneurs in general, many issues identified in the studies are relevant for poor entrepreneurs.

A major constraint, which also underlies the discrimination and harassment that women entrepreneurs experience in their business and in dealing with regulatory authorities, landlords, lenders/banks, clients and others is the strong social disapproval of women in business. Women entrepreneurs often rely on their husbands and family members for financial and other assistance in establishing their businesses. However, family members may prefer that the women work from home and limit their travel and interaction with unrelated men. Family members will generally expect women to carry out childcare and other household duties in addition to their businesses. At the business/market level, women business owners may become dependent on middlemen because of their limited mobility and lack of information and connections. Because of unwillingness of men to

work under a woman entrepreneur, she has limited claim to unpaid male family labor and while she has to undertake responsibility for such unpaid labor. Women entrepreneurs often experience bias and harassment in dealing with landlords, lenders/banks, regulatory authorities as well as clients. Women entrepreneurs may experience harassment when traveling or transacting business in public places. At the community level, traditional norms favouring women's seclusion continue to dominate, especially in rural areas. Discrimination in access to education and training, gender-stereotyped training and education that devalues women, lack of opportunities for women for apprenticeship in vocational work and other similar impediments, hinder women's ability to enter new areas of activity.

The difficulties and impediments faced by poor entrepreneurs in general in fulfilling applicable legal and regulatory requirements have been noted in the preceding section. For poor women entrepreneurs fulfilling those requirements are even more burdensome. Furthermore, unequal inheritance laws and inequality in marriage contract result in male appropriation of household and family property. Lack of ownership of land and property seriously impairs the ability of women to start, run or upscale any business, have access to financial system and credit. Credit obtained by women is also often appropriated by male family members.

CHAPTER 6

Initiatives taken in the South Asian region to empower informal business:

In its Common Minimum Programme (CMP) the Government of India has expressed a firm commitment to ensure the welfare and well-being of those working in the unorganized/informal sector. In order to implement this commitment it has, among other measures, constituted a National Commission for Enterprises in the Unorganized Sector (NCEUS). The NCEUS is becoming a focal point in respect of policy initiatives for the empowerment of informal businesses. For instance, the NCEUS has constituted Task Forces on "Definitional and Statistical Issues relating to the Unorganized Sector," "Social Security for Workers in the Unorganized Sector" and "Skill Formation in the Unorganized Sector". The NCEUS has prepared two draft Bills, on which views have

been sought from government and other stakeholders. These are the (1) Draft Unorganized Sector Workers (Conditions of Work and Livelihood Promotion) Bill, 2005 and (2) Draft Unorganized Sector Workers Social Security Bill, 2005.

The Bill on conditions of work and livelihood promotion recommends a number of measures for the protection and promotion of livelihood of self employed workers in the unorganized sector. It recommends that state governments should seek to safeguard and promote the livelihood of the self employed workers in the unorganized sector through the following measures: provision of credit, adequate raw material (input) supply and adequate marketing facilities for the goods and services produced; ensuring access to banking institutions, in the state or co-operative sector and/or such appropriate arrangement for the purpose of affordable credit facilities; ensuring the right to livelihood including the right over common properties and natural resources; ensuring the traditional rights of all types of unorganized sector entrepreneurs having traditional access to common property resources for their livelihood; ensuring the right of unorganized sector entrepreneurs to share public space to engage in economic activities; ensuring that city plans and rural development plans pay adequate regard to the concerns of self employed workers such as street vendors, and protection and promotion of their livelihood; encourage the promotion of associations of self employed workers with a view to articulation of their problems.

The Bill also recommends the constitution of a State Advisory Committee by each state government of India for self-employed as well as wage workers in the unorganized sector. The functions of the State Advisory Committee would include advising the Government regarding the promotion of gainful employment opportunities for unorganized sector workers; developing plans for the promotion of livelihood options available for self employed workers in the unorganized sector; identifying skill and training requirements for both self employed and wage workers in the unorganized sector and advising the government accordingly; collecting, compiling and publishing statistics with the help of statistical organizations regarding the unorganized sector and the possibilities and challenges facing the unorganized sector in terms of employment opportunities; assessing and advising the government on the credit requirements and banking needs of this sector; carrying out periodic surveys on the condition of work in

the unorganized sector and to make suitable recommendations to the government; encouraging the promotion of labor cooperation to secure gainful employment and dignified conditions of work; holding public hearings to entertain petitions submitted by the unorganized sector workers and their associations and explaining the efforts made to address the grievances of unorganized sector workers.

The NCEUS has proposed a national minimum social security scheme for all unorganized workers consisting of health benefits to cover hospitalization, sickness allowance, and maternity benefit, life insurance to cover natural and accidental death, provident fund cum unemployment benefit and pension for old aged workers.

All informal workers, who can not pay for their social security, will be eligible for the scheme. These would include marginal and small farmers and all non-agricultural informal workers whose monthly income is less than 6500 rupees per month. These workers will be registered under the scheme through district level committees and will be provided with ID cards for the worker/family bearing a unique ID number. The scheme will be contributory in nature. Workers, employers (subject to certain exceptions, e.g. where the workers concerned do not have identifiable employers) and government will pay per day one rupee each towards the scheme. The Commission has suggested an organizational structure for implementation of the scheme, with multi-stake holder participation at all levels and grassroots implementation through public bodies, NGOs or trade unions. According to the NCEUS the benefits from the social security scheme for informal workers will not be restricted to the beneficiary workers alone but will be shared by the entire economy and society in terms of better productivity and improved well-being. These benefits would be quite substantial in relation to the relatively small cost of the scheme, which can be met through reallocation of expenditures and/or through a social security tax.

Like Bangladesh, in India Street vendors form a very important component of the urban informal sector. Street vendors are regarded as public nuisance and often aggressive arguments are made for the restoration of pavements as public space when street vendors encroach on them. However, the Indian Supreme Court has held that:

“The right to carry on trade or business mentioned in Article 19(1) g of the Constitution, on street pavements, if properly regulated cannot be denied on the ground that the streets are meant exclusively for passing or re-passing and no other use.”

The Supreme Court emphasized proper regulation of street vending to ensure that no vendor/hawker can claim a right to defeat the rights of other citizens, and noted that consistent with the rights of citizens, hawkers, squatters etc could be provided space under appropriate regulations. These regulations may, inter alia, carve out hawking and no hawking zones, determine in which zones no hawking activity can be permitted as well as what kind of goods can be sold by hawkers, squatters, etc so that cleanliness is maintained and at the same time free flow of traffic and movement of pedestrians is not obstructed.

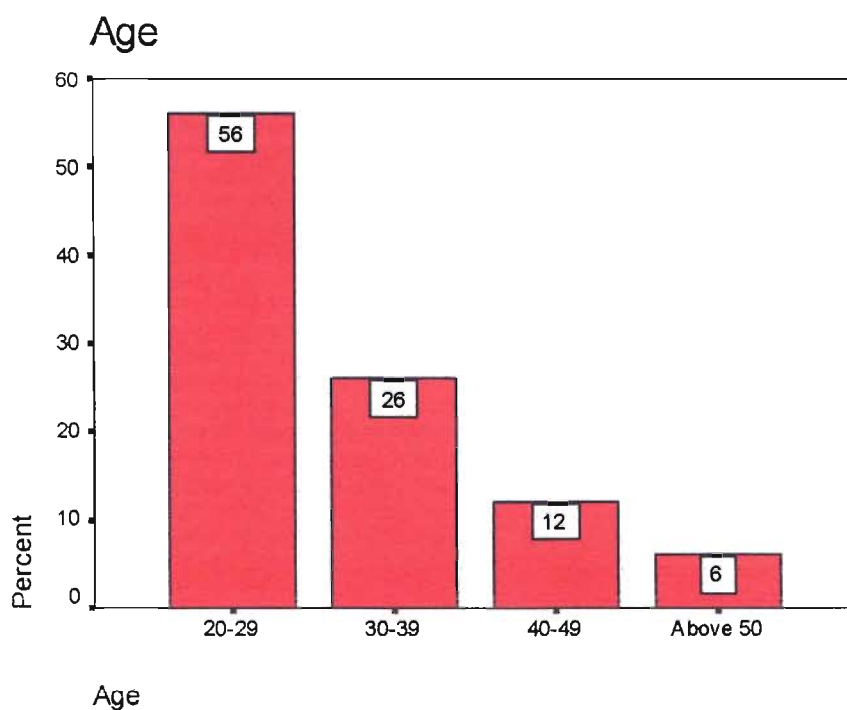
Indian Government has prepared a “National Policy on Urban Street Vendors” and the NCEUS has issued a report and recommendations regarding the Policy. This Policy proposes the following system of registration of street vendors. The power to register is to be vested with Town Vending Committees (TVCs) to be constituted on a ward-wise basis by the municipal authorities. All vendors in each city are to be registered at a nominal fee to be decided by the municipal authorities and registration should be renewed after every three years. Preferably no numerical restriction or quotas, or prior residential status requirements of any kind are to be set regarding registration and the registration process must be simple. Upon registration the vendor is to be issued an identity card which should contain: (i) name, address and photograph of the vendor; (ii) name of a nominee from the family; (iii) nature of business; and (iv) category (stationary/mobile).

The Policy notes that section 283 of the Penal Code, 1860 and section 34 of the Police Act, 1861 create contradiction between a legal “licensed” vendor and “illegal” obstruction or nuisance. Under these two provisions street vendors can be physically evicted and criminal penalties can be imposed on them for obstructing public way/space or causing nuisance. Accordingly, the Policy recommends that these two provisions should be amended to exempt street vendors from their purview with reasonable restrictions. The Policy also proposes measures for social security, access to credit, credit guarantees, insurance, training and skill up gradation for increased income and upward

occupational movement, formation of organizations/trade unions, undertaking projects and studies relating to conditions of street vendors and implementation of promotional measures for them, etc. The current National Consultation Processes will be followed by regional consultations. These would provide opportunities for cross-fertilization as well as cooperation and coordination on policy making regarding the informal sector in the region.

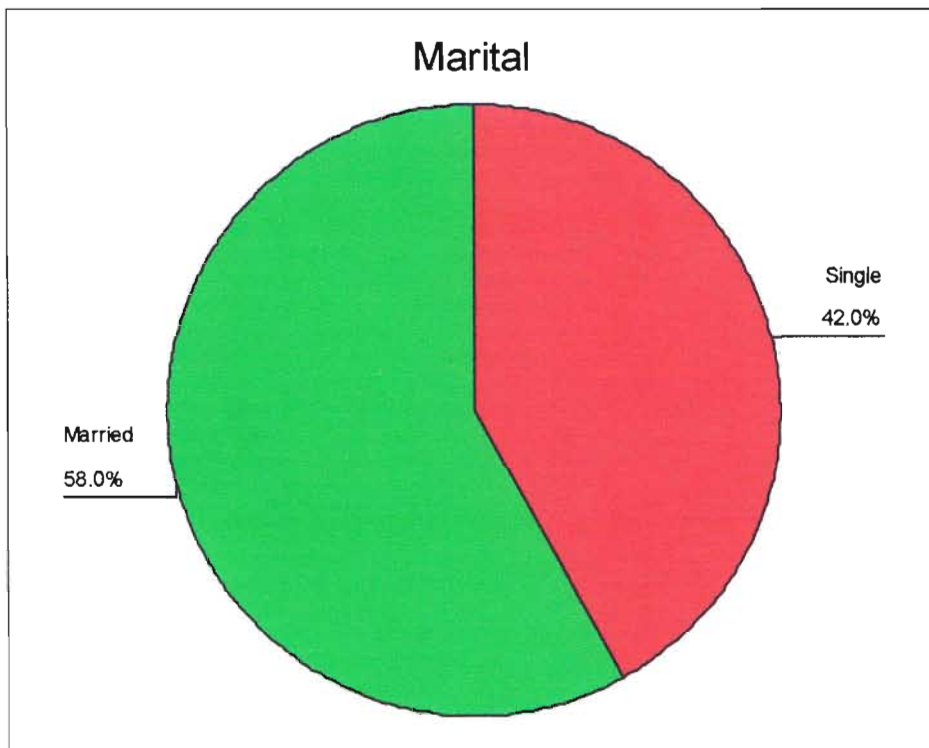
Chapter 7 **Analysis and Findings:**

This study centers on Dhaka metropolis including Mirpur, Gulshan, Mohakhali and New Market. Thus a list of 50 informal entrepreneurs is obtained, which can be categorized into six major strata: Processed food vendors, raw food vendors, clothing hawkers, Household items hawkers, Accessory hawkers and Miscellaneous.

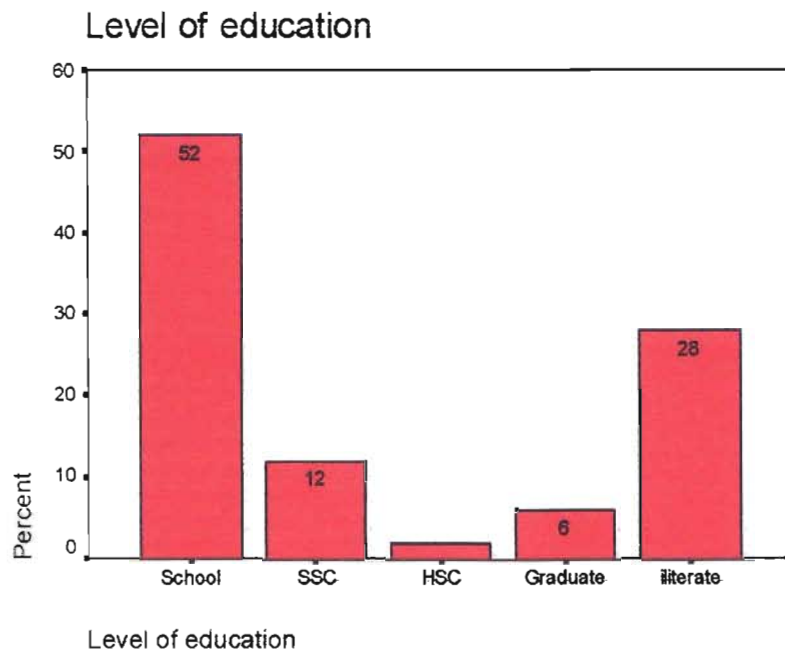


Processed food vendors sell cooked food items. Raw food vendors sell either fresh fruits or vegetables. Clothing hawkers sell ready-made cloths or unstitched cloths. Small cell phone recharging center, Cobbler, Toy vendors are included into the category of

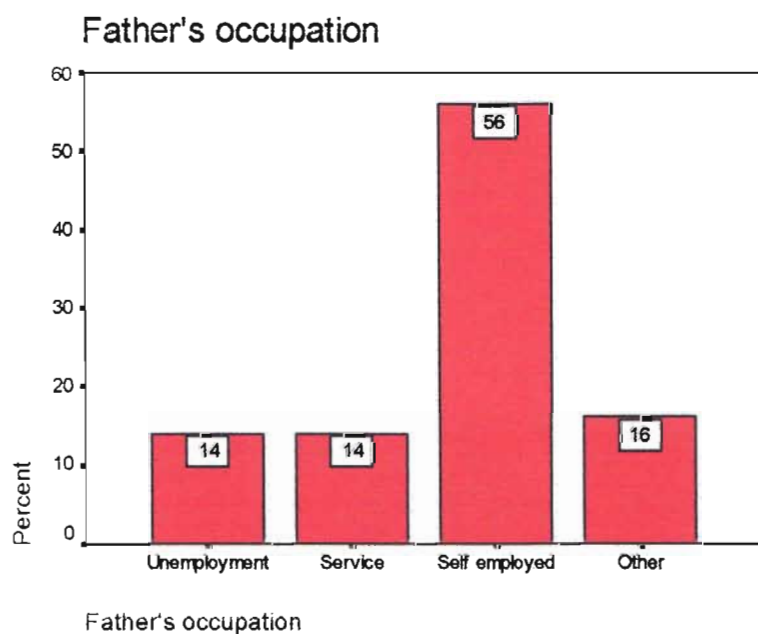
miscellaneous. Finally, a total of 50 informal entrepreneurs are interviewed in-depth among them 56 % are young entrepreneurs (age 20to 29) 26 % are middle age group (age 30 to 39) and 18 % are aged group where 6 % are above 50 age. So it is found that young entrepreneurs are more active in informal business sector in Bangladesh.



In this survey it has found that among the 50 informal entrepreneurs 42% are single and 58% are married. As the number of dependent is more for the married entrepreneurs so their main motivation for business is extra income in order to bear the family expenditure.



Most of these people are poor, with little or no education and without any protection of labor law and social security. This survey shows that 52% entrepreneurs have only limited knowledge in school level and 28% are illiterate. As the employment opportunity in our country is very low so graduates are involved in informal business sector and in this survey 6% informal entrepreneurs are graduates.



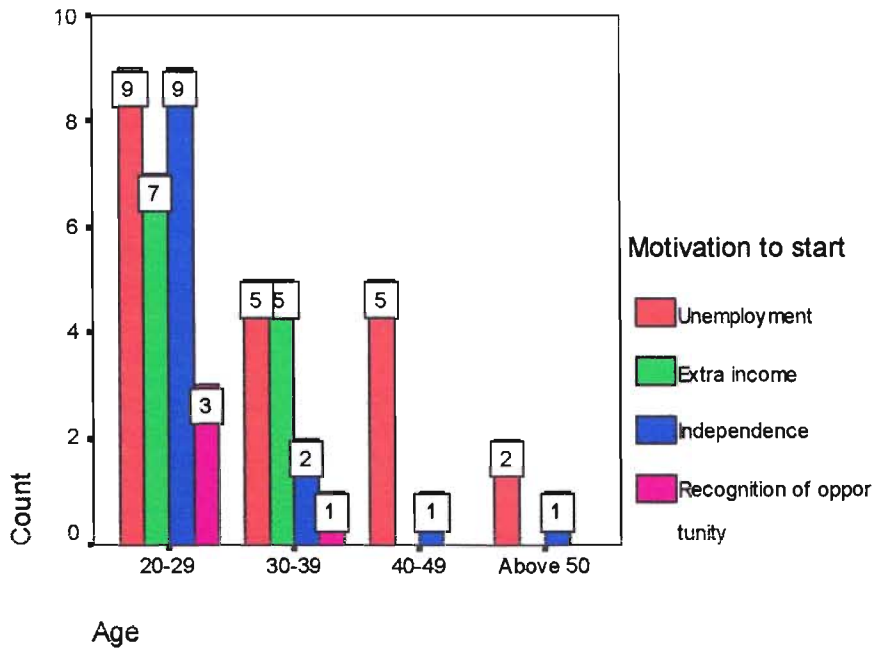
Most of the informal entrepreneur's fathers are farmer. In this survey a few of the informal entrepreneurs are doing this business to keep up the family business. 14% fathers of that group are unemployed and 56% are self employed and 16% are involved in other occupation.



Motivation to start the business

It has been found that about 42% entrepreneurs are interested to deal with that informal business because of unemployment problem. As most of the informal entrepreneur's education is very low so it is very difficult for them to find any job. 24% of informal entrepreneurs have involved in this sector for extra income. Some of the entrepreneurs left their job because of low salary so they started business for extra income.

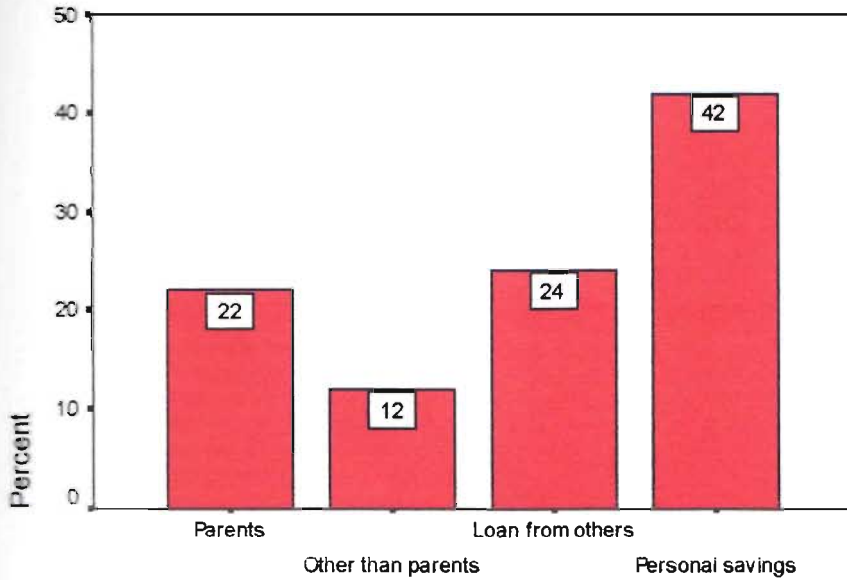
Motivation to start the business



The above graph shows that most of the young informal entrepreneurs entered into this informal business sector because they want to be self dependent. Also the employment opportunity is very low in our country and because of that reason sometimes they bound to enter into this sector for their survival purpose. Only few entrepreneurs’s motivation to start the business is the recognition of opportunity.

Limited access to formal credit is another major constraint on informal businesses. Credit is crucial for the self-employed in the informal sector, both to sustain existing activity and to upscale it. The only source of formal credit extended to informal businesses is NGOs, who extend micro loans.

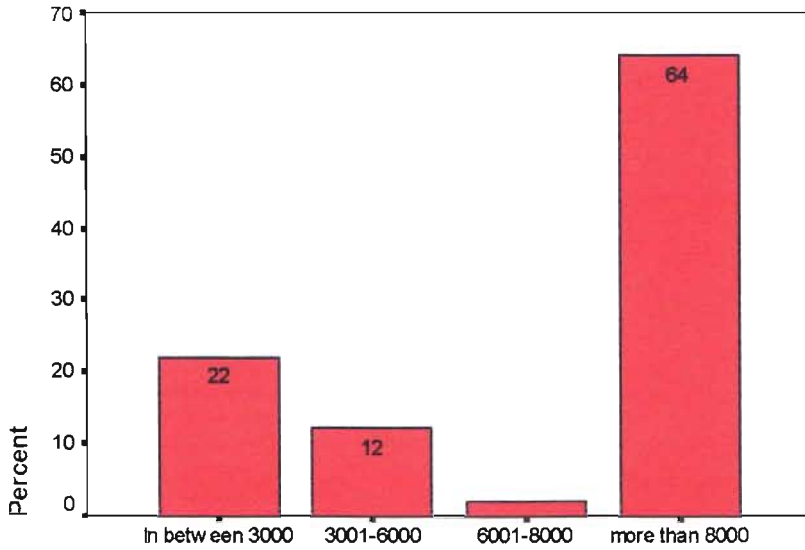
Source of capital



Source of capital

This report shows that maximum informal entrepreneurs about 42% have started their business by their own personal savings. 22% entrepreneurs have collected money from their parents and 24% have collected the start up capital by taking loans from others. Moreover it is difficult for the informal entrepreneurs to get loan from banks so most of the time they take loan from others. Although many informal entrepreneurs have repayment capacity, absence of collateral and firm domiciliary status usually debars them from obtaining institutional credit other than micro credit from NGOs. Therefore informal entrepreneurs often obtain credit at high interest rates from non-institutional sources.

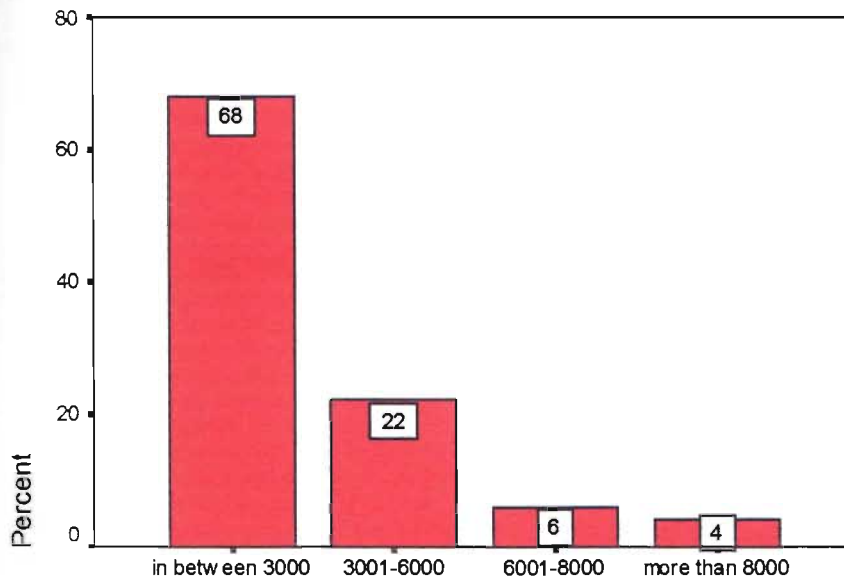
Start up capital



Start up capital

It has found that 22% informal entrepreneurs started their business with 100 - 3000 Taka. Especially the raw food vendors started their business by this amount. The start up capital of 12% informal entrepreneurs is 3001-6000 Tk and 64% started their business by more than 8000 Taka. It has also found that the informal entrepreneurs of New Market area required more money than other area's entrepreneurs.

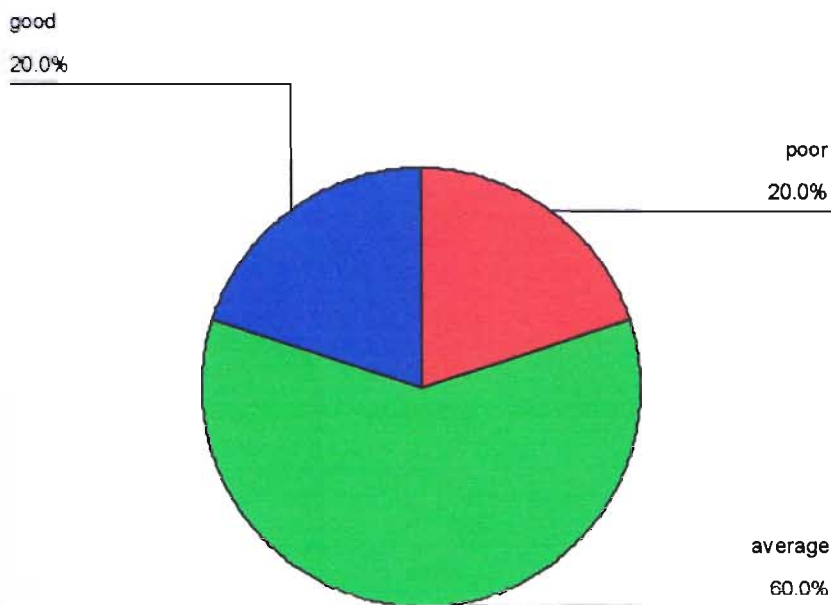
Daily average sales



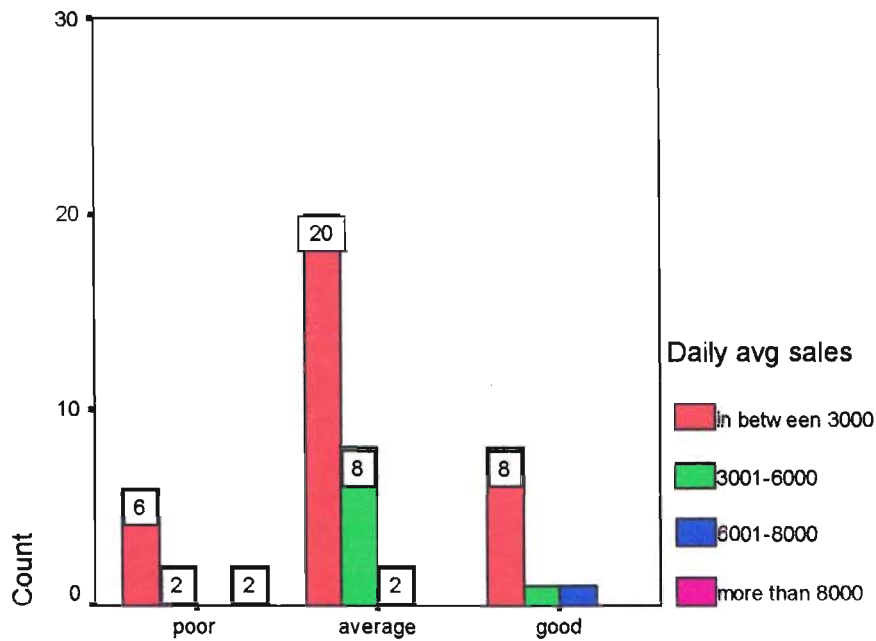
Daily avg sales

The above graphs show that 68% informal entrepreneurs have their daily average sales in between 3000 Tk and 22% earn 3000-6000 Tk in daily basis. Only 4% informal entrepreneur's daily average sales is more than 8000 Tk.

Overall performance of present business

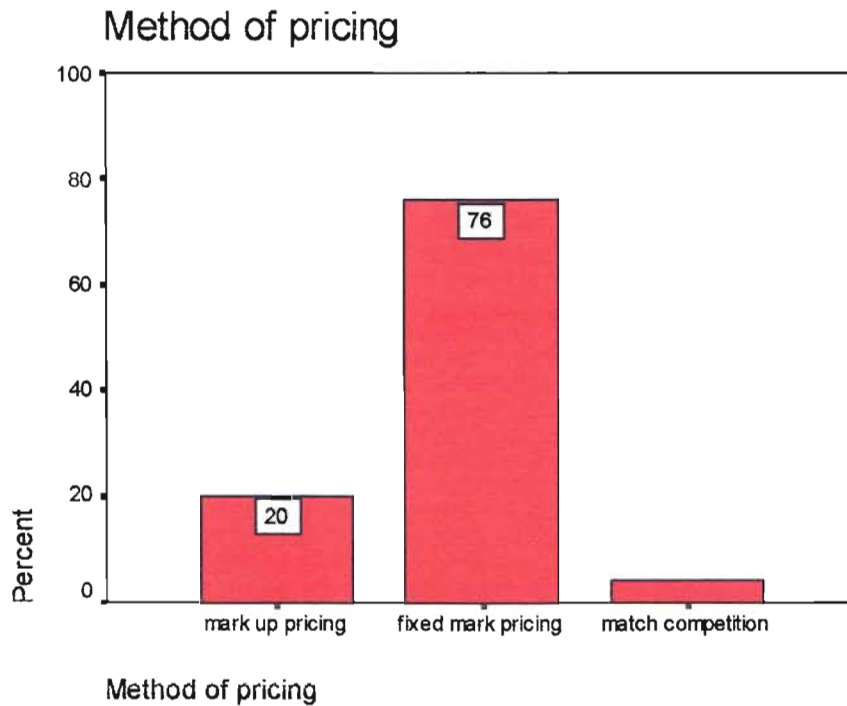


This survey represents that 60% informal entrepreneur's business condition is in average position and 20% are not in well condition but it's also true that 20% of the informal entrepreneurs are also in good position because their daily average sales is good.



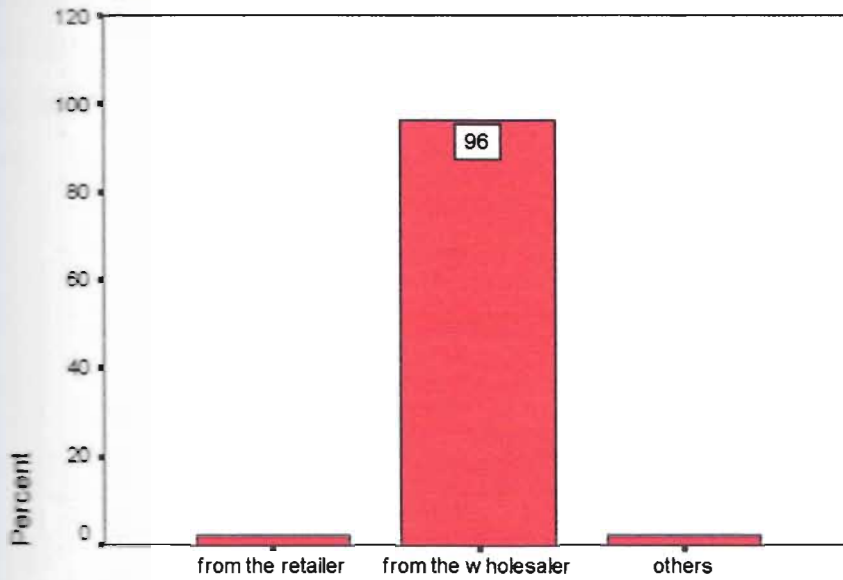
Overall performance of present business

It has found that the informal entrepreneurs who started their business with a very limited capital their condition of the business are good. Besides that the entrepreneurs who invested more than 8000 Tk in their business their profitability is low.



The difference between the lowest current offering price among dealers and the higher price that a dealer charges to a customer is called Mark up pricing. In this survey it is found that 20% informal entrepreneurs are using mark up pricing. But most of the informal entrepreneurs follow fixed mark pricing. Mostly the raw food vendors, process food vendors, household item sellers follow the fixed mark up pricing. Fixed mark price that serves as a standard for the valuation of certain inventory accounts (i.e., raw materials, work-in-process, and finished goods) in standard costing. The price that must be charged under a contract regardless of production costs is called fixed mark price. Only 4% are using match competition.

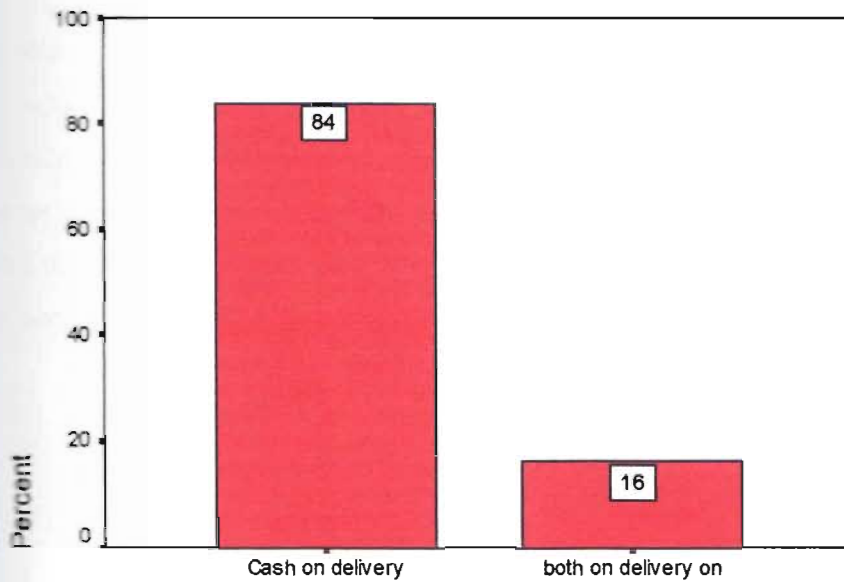
source of material



source of material

Most of the informal entrepreneurs collect their materials from the wholesalers. And this survey shows that 96% informal entrepreneurs are also in this group. Only a few process food vendors collect their raw materials from retailers.

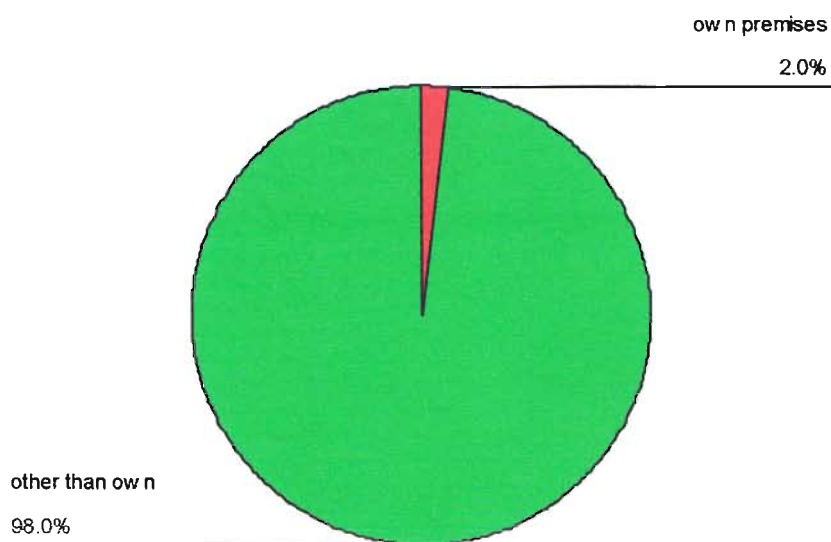
Customer payment method



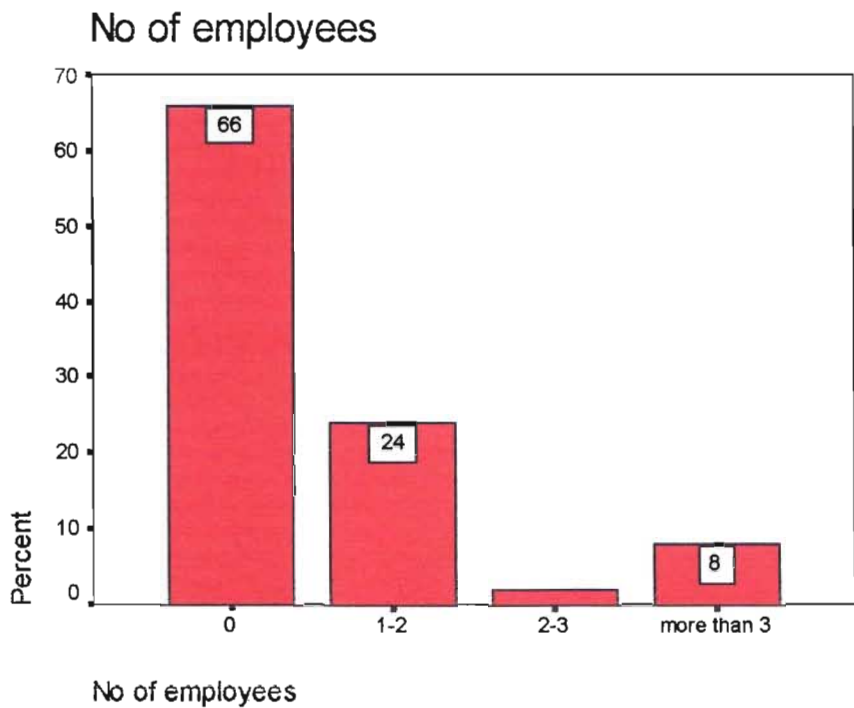
Customer payment method

As most of the informal entrepreneurs are street vendors so they do not have specific place for their business as a result they sell the product on cash and in this survey it is about 84%. Although very few entrepreneurs sell their product both on cash and credit. They sell on credit to only those people who are their regular customer and known to them.

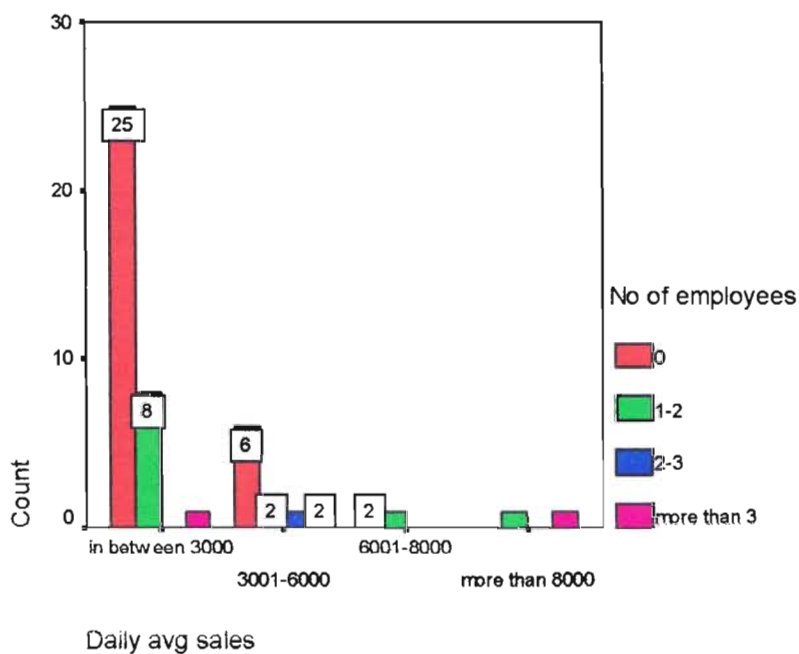
Location of the enterprise



Due to a lack of physical accommodation (i.e. an authorized permanent business premise) at a suitable location, street enterprises frequently face eviction and harassments by the authorities. The lack of a fixed business premise (foothold) inhibits entrepreneurs' ability to receive credit, thereby restricting capital accumulation and growth. In this survey it is found that about 98% informal entrepreneurs are running their business other than own premises.

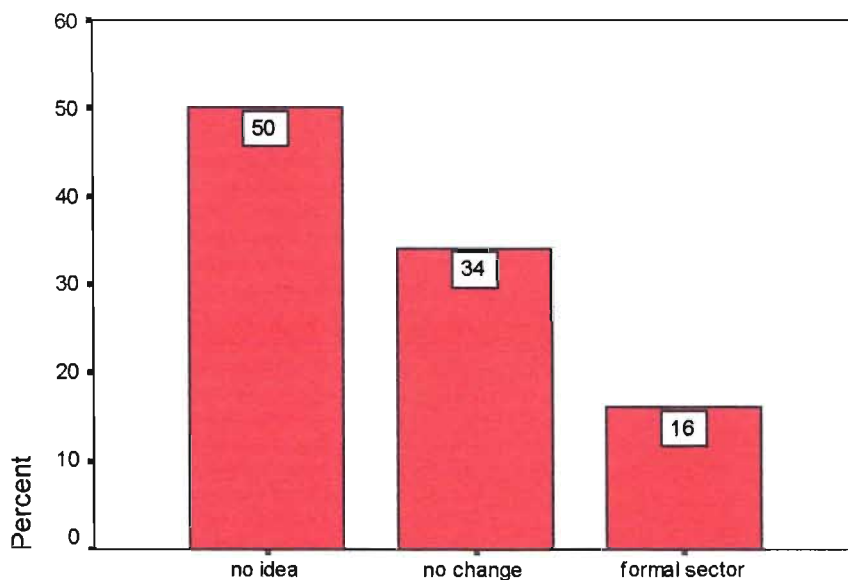


Above graph shows that 66% informal entrepreneurs do not have any assistant, they conduct their business themselves. Only 34% entrepreneurs have assistant to conduct their business. It is found that new market area's vendors have assistant rather than other areas.



Normally those entrepreneurs do not appoint assistant whose average sales are in between 3000 Tk. But the informal entrepreneurs whose average sales are in between 6000 to 8000 Tk they appointed assistant to give the service to their customers.

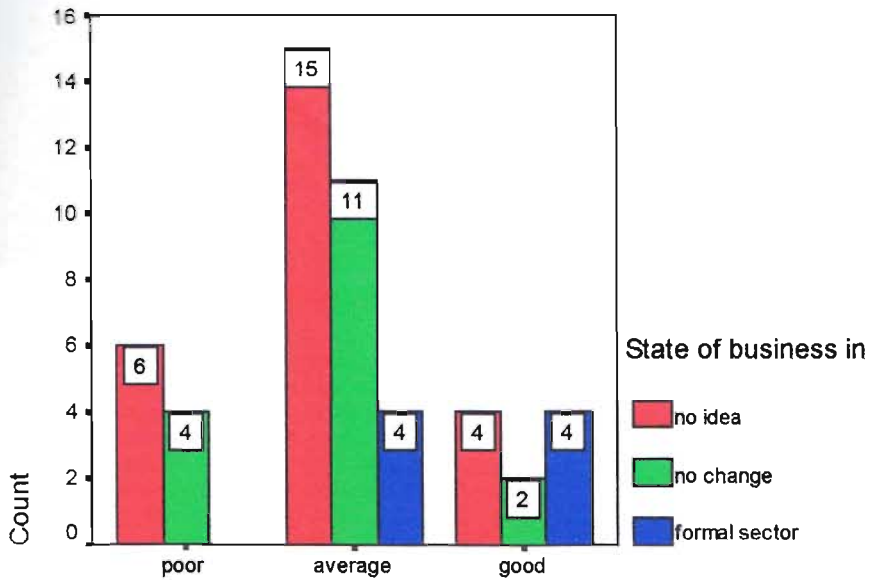
State of business in next 5 years



State of business in next 5 years

In this research it is found that most of the informal entrepreneurs do not have any idea about their future plan of the business. Most of the informal entrepreneurs are very poor as a result they do not have enough ability to expand their business. They also face little or no access to institutional credit and organized market. 50% of informal entrepreneurs have no idea about their future plan of business and 34% entrepreneurs do not want to change their existing business. It is also found that most of the informal entrepreneurs do not have enough skills and knowledge to enter into new business. So poor micro entrepreneurs should be provided with training to upgrade their technical and business skills so as to increase their income and promote upward occupational movement.

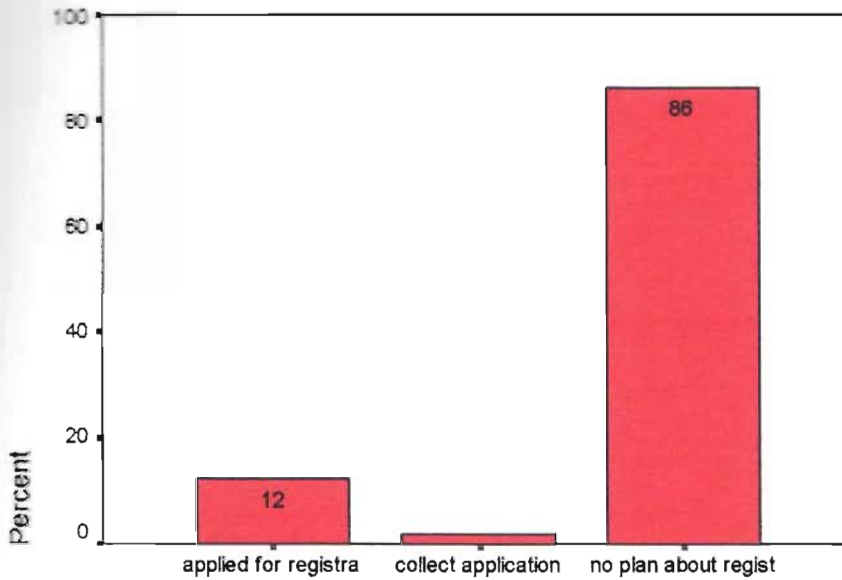
State of business in next five years



Overall performance of present business

This survey also shows that the informal entrepreneurs whose business is not running well they do not have any idea about their future aspect of the business. Only 16% informal entrepreneurs want to enter into formal sector as their business is performing well and their business have lots of opportunity to earn higher profit. The informal enterprises whose performance is average have no idea about their future expansion plan.

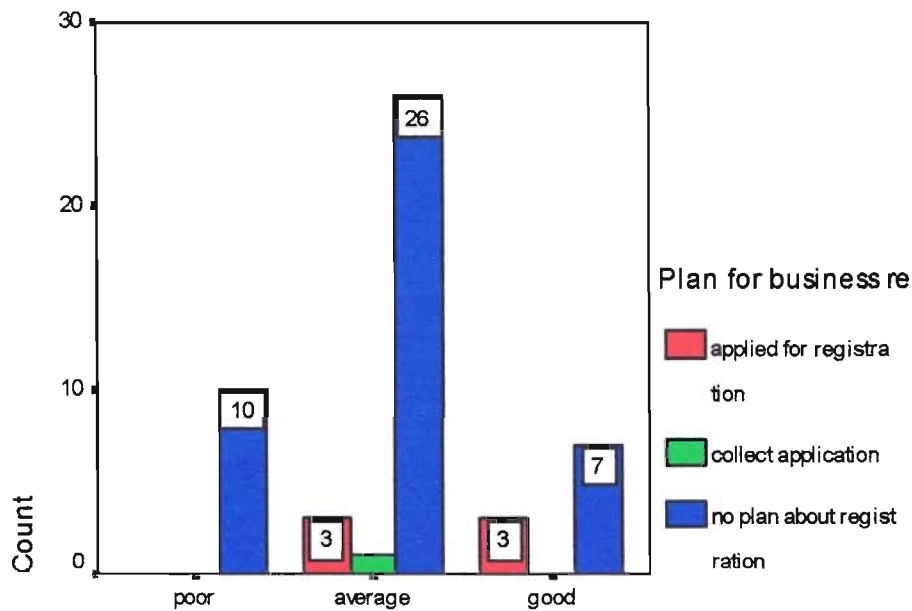
Plan for business registration



Plan for business registration

This report shows that 86% informal entrepreneur do not have any plan to register the business because the legal and regulatory framework in Bangladesh is such that it is impossible for most informal entrepreneurs to operate formally. For poor entrepreneurs in the informal sector the procedure for obtaining trade license is both too cumbersome and too costly. Virtually all regulatory requirements for businesses including small businesses, such as registration with the RJSC or the BSCIC, obtaining of a TIN, trade license or other permit and payment of taxes, entail considerable costs. Given the level of literacy and entrepreneurship skill and education, most of the poor entrepreneurs would need assistance if they were to satisfy the currently applicable regulatory formalities.

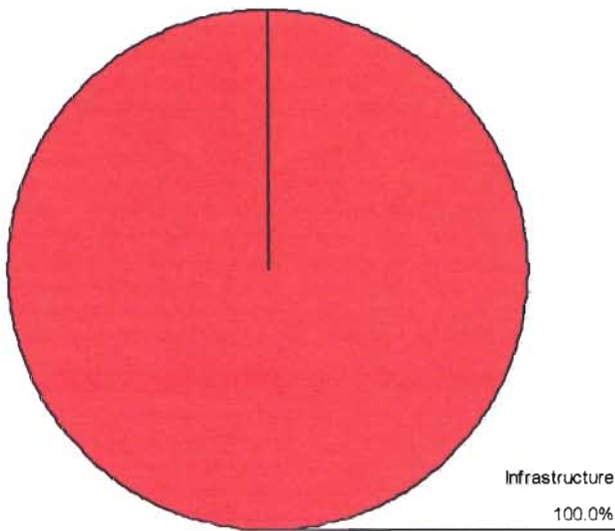
Plan for business registration



Overall performance of present business

It is found that only 12% informal enterprise applied for registration because their business is running well and they are able to bear the registration cost and they have their own premises to run the business. Also, in order to obtain various regulatory registrations/licenses, a business typically needs to have business premises. But the informal enterprises whose business is not performing well they have no plan to register their business.

Types of barriers



It has found that all the informal entrepreneurs are facing the Infrastructure problem rather than other problems like Institutional issues and Economic Issues.

The Infrastructure problem includes poor infrastructure such as transport, storage facilities, water, and electricity. Lack of working premises and poorly developed physical markets.

The Institutional issues includes

- Lack of formal schooling sometimes even resulting in illiteracy.
- Limited access to land and property rights.
- Limited access to formal finance and banking institutions.
- Reliance on self-supporting and informal institutional arrangements.
- Too restrictive or cumbersome taxation systems and labour laws.
- Excessive government regulations in areas such as business startup.

The Economic Issues includes

- Excessive registration and transaction costs of starting or operating businesses.
- Lack of opportunities for bulk purchase of inputs.

- Lack of working capital: credit has to be obtained from informal sources such as friends or relatives or non-banking financial agencies with unfavourable terms.
- Insufficient funds do not allow for further investments.



CHAPTER 8

Recommendations

8.1 In general

Policy initiatives to empower informal business should duly take into account issues of interlink ages. For instance, optimum results cannot be achieved in legal empowerment unless it is accompanied by other pro-poor policies including those envisaged in the PRSP. It has also been highlighted above that there should be a coordinated effort in legal empowerment in respect of property rights, labor rights, access to justice and rule of law as well as entrepreneurship. Policy initiatives to formalize the informal sector may adopt a gradualist approach. For instance, legal registration recommended in this working paper (see recommendation (c) below) can in the first instance be extended to a particular segment of the informal sector, say, the urban street vendors in a particular urban centre and can gradually be extended to other informal entrepreneurs. To formulate policies for appropriately targeted segments, adequate studies and statistics will be needed. Given that the existing business regulation in Bangladesh is too burdensome and costly for poor entrepreneurs, this working paper advocates establishing a new legal framework for such entrepreneurs. This could be supplemented by parallel efforts to reduce the cost burden of and simplify the regulatory regime applicable to businesses including small businesses. Initiatives to help transition of micro enterprises owned by the poor to small enterprises within the policy framework applicable to SMEs can also be considered.

8.2 Institutional

A Commission on Informal Sector (CIS) should be established within the Ministry of

Local Government, Rural Development and Co-operatives. The CIS should act as a focal point in respect of policy initiatives regarding empowerment of informal businesses. The responsibility of the CIS should include undertaking and coordinating research, studies and projects (including on matters noted under recommendation (c) below), suggesting and coordinating legal and policy reforms in favour of and for the transition of the informal sector to the formal sector; designing social security system and identifying innovative financing instruments to empower informal entrepreneurs, etc. In addition to the CIS, other organization structures and grassroots level bodies would need to be put in place for the implementation of promotional measures concerning the informal sector. For instance, as proposed below in this working paper, those working in the informal sector should be brought within a legal framework of registration. The responsibility for such registration can be assigned to appropriate local bodies.

8.3 Research, studies and statistical issues

As noted above adequate research and statistics are essential to formulate feasible policies and to ensure the voice of the stakeholders (in this case poor informal entrepreneurs) in policy making. Recall that the SME Policy includes provisions for studies and surveys as well as establishment of an information bank regarding SME industries. Adequate research, studies and compilation of data regarding informal business would likewise be necessary to formulate feasible policies that ensure participation of stakeholders in policy making and implementation. The studies should examine the status of informal sector including the nature of enterprises, their size, spread and scope, and magnitude of self- and wage employment in the informal sector; identify constraints faced by micro enterprises with regard to freedom of carrying out the enterprise, access to raw materials, finance, skills, entrepreneurship development, infrastructure, technology and markets, examine the range of existing programs that relate to employment generation in the informal sector, etc.

8.4 National policy

A National Policy on the Informal Sector (NPIS) should be adopted setting out a policy framework for the empowerment of the informal sector and for its transition to the formal sector. Participation of all relevant stakeholders including poor and poor

women entrepreneurs must be ensured in the formulation of the Policy. The CIS could be given the responsibility to formulate the Policy and for this purpose it should act in close cooperation with the Commission, NGOs, development partners of Bangladesh and others concerned.

8.5 Registration and identity cards

A mechanism to register and issue identity cards to both the self-employed and the wage workers in the informal sector through appropriate local bodies should be adopted. Such registration and issuance of identity cards would bring those working in the informal sector within the formality of legal coverage. To start with, such registration may be extended to particular segments of the informal sector and can be gradually extended to the entire informal sector. In addition to attributing legal coverage to informal entrepreneurs, registration and issuance of identity cards can help in implementing promotional measures recommended in this working paper (e.g. social security, access to financial system and credit, organization, upgradation of skills, entrepreneurship education etc), or to be recommended elsewhere (e.g. in the proposed NPIS) for the empowerment and transition of the informal sector.

8.6 Social security

A social security scheme consisting of health benefit, unemployment benefit and/or provident fund, pension for old age and life insurance to cover natural and accidental death for the self-employed and the workers in the informal sector can be adopted. For this purpose a social security fund for the informal sector and an appropriate administering body may be established.

8.7 Conditions of work

Appropriate measures need to be taken to improve the conditions of work and business security of those in the informal sector, including provision for supply of necessary inputs (raw material), marketing facilities, ensuring right over common properties and natural resources as well as right to share public space to engage in economic activities. City

plans and rural development plans should pay due regard to the concerns of self-employed in the informal sector and protection and promotion of their livelihood. Provisions for the availability of utility services at affordable cost should be made. Self-regulation in the informal sector regarding hygiene, sanitation, waste disposal etc should be promoted.

8.8 Access to financial system and credit

Appropriate measures to ensure access of informal entrepreneurs to financial system and affordable credit facilities including extending micro credit outreach should be adopted. As noted earlier, regarding SMEs, a Small Enterprise Fund has been established for lending to SMEs. The feasibility of establishing a fund for informal enterprises can be examined.

8.9 Organization

To get the benefits of various measures recommended in this working paper, or elsewhere, in an effective manner, it is essential that those working in the informal sector form organizations. Trade unions and other voluntary organizations including NGOs should take active role and help informal entrepreneurs/workers to form organizations by providing counseling and guidance. There can also be opportunities for liaising with international organizations of informal entrepreneurs and those established in other countries, such as, StreetNet (an international alliance of street vendors), HomeNet (an international alliance of home-based workers), Self-Employed Women's Association (SEWA) and National Alliance for Street Vendors of India and the like.

8.10 Upgradation of skills, entrepreneurship education

Poor micro entrepreneurs should be provided with training to upgrade their technical and business skills so as to increase their income and promote upward occupational movement. Human development programs related to education (including non-formal education) and vocational training, health care and food safety, water and sanitation, as recommended in the SME Policy for SMEs, can be adopted for the informal sector as

well. There is also a need to assess existing level of skills and monitor skill generation and upgradation in the informal sector.

8.11 Simplification and modification of business regulations

Measures recommended in this working paper directed specifically to the informal sector do not supplant the need for the simplification and modification of business regulations in general so as to make them friendlier for the informal sector. Various current initiatives, which are being undertaken under the auspices of international development partners or otherwise, should be examined with view to incorporate measures supportive of the informal sector. Any imbalances in policies that favour large enterprises over small and micro-enterprises in tax breaks, subsidies and other incentives, in licensing procedures, and in technical assistance for innovation and upgrading should be redressed. Any imbalances in policies that favour formal workers over informal producers and workers in statutory benefits, such as unemployment insurance, pension funds or safety nets should be redressed.

8.12 Women entrepreneurs

Measures directed towards poor women entrepreneurs may include the following: conducting a nationwide survey to collect current information on women-owned micro enterprises; setting up an exclusive desk to service women informal entrepreneurs, establishing mechanism to coordinate micro credit and other credit facilities for women entrepreneurs and giving preference to women-owned businesses in lending, modifying inheritance rules to remove gender discrimination (e.g., by enacting a uniform family code), encouraging the formation of women's business associations and the participation of women entrepreneurs in existing associations etc.

8.13 Urban street vendors

The feasibility of adopting a policy on urban street vendors may be considered.

Proper regulation of street vending may help in achieving a balance between the right of livelihood of street vendors and rights of citizens in respect of movement of pedestrians, traffic, cleanliness etc.

CHAPTER 9

Concluding Remarks:

The role of the informal sector is widely acknowledged in the development process of developing countries. As the informal sector, consisting of very small-scale economic activities, accounts for a substantial, and increasing share, of employment in most developing countries and as a large majority of poor depend on such activities for their livelihood, any credible strategy to reduce poverty in these countries must pay due attention to this sector. For a country like Bangladesh, which looks for means and ways to improve her poverty situation, entrepreneurs of informal economy can lead to prosperity for all.

Due to a lack of physical accommodation (i.e. an authorized permanent business premise) at a suitable location, street enterprises frequently face eviction and harassments by the authorities. The lack of a fixed business premise (foothold) inhibits entrepreneurs' ability to receive credit, thereby restricting capital accumulation and growth. Most of the environmental conflicts generated by street enterprises with the

urban built environment can better be managed if they could be confined in certain locations throughout the city. On a macro-scale, street enterprises tend to concentrate in densely populated areas, particularly in areas where the concentration of public functions is high. On a micro scale, street enterprises are highly sensitive to the sources of demand followed by the supply sources and location of their (entrepreneurs') home. Regarding the question of intervention inputs, although there is no national policy towards street enterprises in Bangladesh, study findings showed that city authorities are optimistic about supporting street enterprises. Existing Hawker Associations could be an inbuilt advantage within the intervention process to accommodate the street enterprises.

In order to reduce the poverty level through accelerating the growth of micro-entrepreneurship in Bangladesh, the government, policy makers, donors, NGOs, MFIs and other relevant organizations need to consider and address non-institutional barriers properly. The integrated approaches are important to overcome the non-institutional barriers through awareness creation, motivational program, sound business plans and a combined external support. Through the right support from the institutional as well as non-institutional associations, micro-entrepreneurs can strengthen their own capacities besides contributing in both family and national earnings. Since micro-entrepreneurial movements and capacity building are imperative for economic and social development in Bangladesh in the long run, an integrated approach is necessary to be deployed within shortest possible time.

Informal Enterprise Survey

Type of business:
business:

Owner :

Length of

All information is used only for research purpose

Characteristics of the IS entrepreneur in Dhaka (area: -----
--)

1. Age

A . 20- 29 B. 30- 39 C 40- 49 D. Above 50

2. Martial

A. Single B. Married C. Divorced D. Widow

If present married then no of dependent -----

3. Level of education

A. School. B. SSC C. HSC D. Graduate E. Diploma

4. Father's occupation

A. Unemployed B. Service C. Self employed D. Other

Business Information

5. Motivation to start the business

- A. Unemployment
- B. Extra income
- C. Independence
- D. Recognition of opportunity

6. Source of your support to start the business

- A. Parents
- B. Other than parents
- C. Loan from others
- D. Personal Savings

7. Start up capital

- A. 1000- 3000
- B. 3001-6000
- C. 6001-8000
- D. More than 8000

8. Daily average sales

- A. 1000- 3000
- B. 3001-6000
- C. 6001-8000
- D. More than 8000

9. Source of the material (from where you buy products fro your business)

- A. From the retailer
- B. From the wholesaler
- C. Others (Please mention) -----

10. Method of pricing

- A. Mark-up pricing
- B. Fixed mark-p
- C. Match competition

11. Customer payment method

- A. Cash on delivery
- B. Credit
- C. Both on delivery and credit

12. State of the business –in the next five years

- A. No idea

B. Out of business

C. No change

D. Formal sector

13. Overall performance of present business

A. Very poor

B. Poor

C. Average

D. Good

E. Very good

14. Do you have any plan for business registration

A. Already registered

B. Apply for registration

C. Collect application

D. No plan about registration

15. No of employees

A. 1-2

B. 2- 3

C. 3-5

D. More than 5

16. Do you have any hired employees if yes then number

17. Location of the enterprise

A. Own premise

B. Other than own premise

18. Types of barrier

A. **Infrastructure** (Poor infrastructure such as transport, storage facilities, water, electricity. Lack of working premises – Poorly developed physical markets.

B. **Institutional issues** (Lack of formal schooling sometimes even resulting in illiteracy. Limited access to land and property rights. Limited access to formal finance and banking institutions. Reliance on self-supporting and informal institutional arrangements. Too restrictive or cumbersome taxation systems and labour laws. Excessive government regulations in areas such as business startup.

C. **Economic Issues** (Excessive registration and transaction costs of starting or operating businesses. Lack of opportunities for bulk purchase of inputs. Lack of working capital- credit has to be obtained from informal sources such as friends or relatives or non-banking financial agencies with unfavourable terms. Insufficient funds do not allow for further investments.)

Different types of informal enterprises

Raw food vendors (Meat, Fish, Spices, Vegetables) ,Hotels/Restaurant ,Fruit vendors,

Carpentry, Civil work, Make /Repair furniture ,Tailoring, Washing cars, Car repairing and maintenance, Electrical work, House painting ,Plumbing ,Handloom weavers, Boutiques

Mobile phone repairing , Watch repairing, Repairing of home appliances

Thank you very much for your cooperation

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