

## **An Urban Informal Economy: Livelihood Opportunity to Poor or Challenges for Urban Governance, Study of Street Vending activities of Kathmandu Metropolitan City**

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### **Abstract**

Issues are contested whether informal economy is an opportunity to urban poor or challenge for urban governance. On the one hand informal economy in the cities of developing countries has become an opportunity for work and employment to poor, on the other hand it has created several problems for urban governance. This article argues that street vending has become an important source of earning livelihood for rural poor in the urban areas, and not only rural poor are getting livelihood opportunities in the informal economy, this has been providing goods in cheaper price to another section of urban poor that neither urban authorities nor other can provide. Thus, street vending has become an opportunity of marketing space to most of the urban poor in Kathmandu Metropolitan City. However, there are confrontations between authorities and vendors over licensing, taxation, encroachment of public places and pavements and on increasing social problems. In spite of its crucial role for providing employment and livelihoods to both urban and rural poor, its economic importance is rarely recognized either in national poverty reduction strategies or in city governance initiatives. Besides, issues relating to urban management and controlling over the deteriorating city environment due to increase of vending activities are, of course, challenging for urban governance.

Key words: livelihood, urban poor, informal economy, urban governance, street vending

### **1. Introduction**

The informal economy has experienced rapid growth in developing countries and has consequently attracted increasing attention among academics, researchers, social development activists, and policy planners. It is generally believed that the rapid growth of the sector has been influenced by increasing unemployment in developing countries. According to ILO (2004), the lack of jobs in the formal sector of the economy as well as the lack of skills in a large part of the labour force has resulted in the growth of a substantial informal sector in which most workers are in low-paid employment under unregulated and poor working conditions. Informal sector encompasses largely unrecognized, unrecorded and unregulated small scale activities including; small enterprises, household enterprises, self-employed sectors such as street vendors, cleaners, shoe-shiners, hawkers etc. With the lack of

governmental regulation or lack of institutions that provide job security and benefits, this sector comprises the largest part of the economies of developing countries (Suharto, 2003:115).

Characterized by a large number of small-scale production and service activities that are individually or family owned and labour-intensive, the informal sector does not fall under the purview of organized economic activities. Most workers entering this sector are recent migrants unable to find employment in the formal sector and their motivation is usually to obtain sufficient income to survive, relying on their own indigenous resources to create work (Singh, 2000). As many members of the household as possible, including women and children, are involved in income generating activities, and they often work very long hours. It is difficult to estimate the exact magnitude of the informal sector but there is general agreement that the informal sector comprises a growing proposition of economic activity. Particularly in less developed countries 50 percent of the labour force are engaged in the informal economy (Gottdiener and Budd, 2005:77).

At the same time, it should be noted that in both developed and developing countries, the informal sector is connected to the formal sector of the national and global economy through subcontracting networks and commodity chains. For example, street vendors sell goods such as cigarette, clothes, newspapers, electronic goods, clothes and other branded products obtained from the formal sector. In Nepal, the informal economy is growing at a faster rate than the formal economy. The informal sector proves to be the major mechanism for economic growth and development. In most of the less developed countries; the informal sector including street vending is the largest source of employment, investment and government revenue. This is because the informal sector offers the best opportunity for the upward mobility in lifeline of the poor people and their children (Brown, 2005:5).

However, these aspects are unfortunately ignored by the urban authorities because street vending is considered an illegal activity and street vendors are treated as criminals. Studies show that in almost all the Asian countries, street vendors have no legal status to conduct their business and they are constantly harassed by the authorities (Bhowmik, 1999:4). Furthermore, the role of informal sector including street vending has not been well perceived. It is rather regarded to be a non-profit activity, as it does not contribute to the national economy in terms of tax. It is marginalized from the development agenda, and hence has been severely affected by the functioning of macro socio-economic policies. Particularly improper or lack of policy support has made the sector to be unsecured (Bhowmik, 2005:2258), which adversely affects the livelihoods of the urban poor. Yet they are popular because they provide the urban population with much needed services that neither the municipalities nor the larger retailing outlets can provide.

Despite the fact that street vending is an important source of livelihood to urban poor, street vendors occupy the footpath leaving no space to the pedestrians. This has become a public concern because it creates problem for smooth vehicular and pedestrians' movement, and has polluted the environment of the surroundings. Similarly, vendors occupy public places and roads, which can create social problems like pick pocketing, hoodlum and theft. This situation has created several problems in management, development and has destroyed the ecology of the city. Therefore, much more needs to be understood in Kathmandu about the role of the informal sector - to what extent street vending provides a means of livelihoods to the urban poor, to what extent urban authorities are facing challenges for urban governance. This article provides understanding of whether street vending is an opportunity for livelihood to urban poor or challenges for urban governance and concludes that, of course, challenges are bulging with increasing informal activities in Kathmandu but this sector can be an important source of livelihood to urban poor for making their living.

## **2. Method and Materials**

This article is based on both primary and secondary data which was collected in 2007 during the process of writing MPhil thesis in Development Studies. In social science research, field work is the central and important method for collecting the primary information. Standardized open-ended interview, key informants interview, informal conversational interview, observation (participatory and non-participatory) methods were used to collect primary information whereas secondary information were collected from published and unpublished literature. Four highly concentrated locations of street vendors namely *Asann-Bhotahity*, *Sundhara-Khichapokhari*, *Indrachowk* and *Ratnapark* from core city of Kathmandu were purposively selected to include most of the types of street vending activities of Kathmandu. Thirty street vendors from those four locations were selected through snowball sampling for open-ended interview. Similarly, key informants including representative authorities of Kathmandu Metropolitan City, representative of Nepal Street Vendors Union, local residents were selected for interview. Besides, observational information were also used to come up with the findings about the nature of street vending, vendors' response to authorities, authorities' response to vendors and so on. Qualitative textual explanation method is used to analyze the findings whether street vending is livelihood opportunity or challenges for urban governance in Kathmandu Metropolitan City.

## **3. Street Vending as an Urban Livelihood**

The livelihoods of the poor are determined predominantly by the context in which they live and the constraints and opportunities this location presents. This is because context - economic,

environmental, social and political - largely determines the assets accessible to people, how they can use these (Meikle, 2002:38), and thus their ability to obtain secure livelihoods. Rural people see new opportunities in the urban areas in terms of employment, physical facilities and others. As a result, rural landless agricultural workers had little incentive to remain in agriculture. Instead they choose to migrate to nearby towns or cities in search of more remunerative non-agricultural jobs. It is important to examine whether they get more remunerative jobs after migration or end up swelling the ranks of unemployed in the urban labour market as predicted by Todaro (1976). But those migrants, who were working in the rural vulnerable situation, see themselves more beneficial working in the urban informal sector. Migrants' livelihoods vary according to their level of education and the skills they have. Competent and skilled migrants may find urban formal jobs either in the government or in the private sectors.

In Kathmandu, there is domination of unskilled and uneducated migrants, who work in the informal sector. Among various informal activities, street vending is one which is growing in the recent years rapidly. It was estimated that 30,000 street vendors were earning livelihoods on the street of Kathmandu Metropolitan City (Timalsina, 2007) and the number is to be predicted increasing in the recent years. There is domination of migrants' street vendors predominantly poor, landlessness, conflict affected and having some expectations with earning in Kathmandu (Timalsina, 2007). Street vending has become livelihood strategy to those migrants poor in Kathmandu. Vendors exist in the major nodal junction of urban areas of Kathmandu and they prefer to be located nearby market centres and shopping malls. Types of vending vary with locations according to the nature, composition and functions of formal sector. Almost all of the vending types are located at *Asan-Bhotahity, Sundhara-Khichapokhari, Indrachowk and Ratnapark* areas. These locations cover main types of street vending activities including cloth vending, vegetable vending, electronic goods, cosmetics, kitchen utensils, spices, fast foods vending etc.

#### **4. Street Vending as Livelihood Opportunity to Poor**

Street vending as a profession, which has been in existence in the capital city, Kathmandu, since time immemorial. Urban Street vending is not only a source of employment but it provides affordable services to the majority of the urban poor. Vendors constitute an integral part of the urban economy, provide an essential service, create their own employment and contribute to economic growth. The role played by the street traders in the economy therefore is as important as it provides services and goods to the urban poor. At present more than 30,000 street vendors are earning their livelihood on the street which is one of the huge contribution in terms of employment and livelihood to urban poor.

In addition to this, vending attracts those who have limited opportunities for obtaining formal employment or prestigious business, and minimizes chances of social exclusion and marginalization. Street vending is increasingly becoming livelihood option for those marginalized people. On the one hand, urban authorities take street vending as an illegal and unproductive sector; while on the other hand, it is an important livelihood securing sector for the urban poor. It provides seasonal employment to the rural poor and has become a source of economic earning to them. Therefore, it can be accounted as an opportunity to poor communities.

### ***Opportunities for Work and Employment***

Very poor people migrate to the urban areas for survival creating their own work. It is also prevalent that some better off people also migrate to urban areas for work and to earn cash income. Thus, street vending in Kathmandu has become an opportunity for work and employment for both poor and some other better off rural people. Furthermore, this sector also links to the formal sectors by providing labour forces and by marketing their products. Studies show that a lot of goods sold by street vendors, such as clothes and hosiery, leather and plastic goods and household commodities are manufactured in small scale or home-based industries. These industries employ a large number of workers and they rely mainly on street vendors to market their products (Gottdiener and Budd, 2005:77). In this way street vendors provide a valuable service by helping to sustain employment in these industries.

Furthermore, street vendors are mainly those who are unsuccessful or unable to get regular jobs. This section of the urban poor tries to solve their problems through their own meager resources. Unlike other sections of the urban population they do not demand that government create jobs for them, or engage in begging, stealing or extortion. They try to live their life with dignity and self-respect through hard work. These people work for over 15 hours a day under harsh conditions on the street. One respondent who has been working on the street for work merely to create livelihood said:

*I have been living on the street for 14 years. Waking up in the early morning and working till late evening is my normal working schedule. I wake up at 4 in the morning and go to Kalimati (whole selling market) to purchase vegetables for the day and come at this site. I put up mat until the shop owners do not come and after that, I move to Bhedasing for the day time. I put up mat until late evening for whole of the day where my wife also works with me for looking after the shop during the lunch time. Working more than 15 hours a day on the street has been hardly providing food for our family.*

Another respondent in this regard added that:

*I have been selling multiple items on the street for survival. In the morning, I put up vegetable shop at Asan, and during the day time I go to different locations, sometime at Khichapokhari and sometimes at Sundhara with seasonal goods e.g. clothes, cosmetics, electronics and so on. In the evening, again I go to vegetable selling to*

*finish remaining vegetables because I cannot stock those perishable vegetables for the next day. Sometimes, I earn more from vegetable selling and sometimes from others.*

This sector on the one hand, provides livelihood earning opportunities for the poor and on the other hand, it provides employment opportunities to some of the educated people. Because of decreasing formal employment, and to some extent, people do not get job even if they are having good education and skills. One educated respondent in this regard said:

*I am a graduate. I did my Bachelor Degree in 1990 and came to the city hoping to find some jobs. Once I had gone for a post in a company with my first division certificates, but the employer said to me that I could not get that post if I would give them Rs.50,000 (\$715) as bribe. Since, I had not much to give them as bribe. So I decided to work on the street for survival.*

Another respondent added:

*I left my home dreaming about higher education. Since, it was difficult to continue higher education in the hardship of my economic background, I tried to find some jobs, but unfortunately I did not find any job. Then I started vending on this site. Now, I put up mat on the street during the morning and the day time. In the evening I go to the evening college. I work morning to evening during the week-end and off days.*

In addition to this, as the goods sold are cheap, the poorer sections too are able to obtain their basic necessities mainly through street vendors. The lower income groups spend a higher proportion of their income in making purchases from street vendors, mainly because their goods are cheap and thus affordable (Bhowmik, 2005:2257). In this way one section of the urban poor, helps another section to survive. Hence, though street vendors are viewed as a problem for urban governance, they are in fact the solution to some of the problems of the urban poor. By providing cheaper commodities street vendors are in effect providing subsidy to the urban poor, something that the government should have done. One public customer emphasizing this said:

*I always use to buy goods with the vendors. I have never entered into the shop because I cannot afford the goods those are being sold in the stores and supermarkets. For poor people like me, street vendors provide goods in affordable price. If there was no street market, I would not be able to provide even clothes to my children.*

Those examples and explanations explore that street vending in Kathmandu has become livelihood opportunity to most of the poor and some better off people have also been living on the street. Poor people are making a living with hard work on the street and some educated fellows are pursuing their higher education. Hence, street vending in Kathmandu has become

opportunity for work, employment and livelihoods. It has been providing livelihoods not only for the rural migrants, but also to the urban poor by providing goods and services in affordable price.

### ***Livelihood to Dependent Family***

Street vending provides earning opportunity and livelihoods to the dependent family members. Because of the rural conflict and increasing livelihood vulnerability at the household level, some of the migrants have migrated with dependent family members, for example, children and old parents. Providing basic necessities to those dependent family members becomes the responsibility of youths and adults. In Kathmandu, many vendors are working on the street for surviving to their dependent family members. One respondent said:

*I have been living in Kathmandu for 5 years with my three small children and mother in-law aged 65. Last year my husband went abroad (Malaysia) to earn but he has not sent any money to me. Since then, I have to bear all the responsibilities of my family. I have been working on this site from early in the morning to late evening and hardly been able to get livelihoods to my family.*

During the field work, some vendors were living on the street with their small children. Explaining to the questions about the living situation and their involvement on the street, one woman said:

*I was living with my husband with good enough family status in the village. One night some armed men came and took my husband forcefully. Now, I do not know where he is living and in what situation. I asked and reported many times to Human Right Commission, but still his situation is unknown.*

Showing her small children she further said:

*I have four children and I have to look after them. I hardly earn Rs. 100 (about 1.2 \$) per day on which five family members have depended. If my husband was with me, it would be easier struggling for livelihoods together. But I am alone and it has become very difficult to earn a livelihood for my family.*

Moreover, some vendors are working on the street as partial fulfillment for their livelihoods. Working only in other sectors, for example, driving (taxi, tempo, micro-buss etc.) and labour work in small industries cannot support their families. One respondent whose husband was driving, but could not cover all the household necessities, went on the street even if she was having small kids. She was working on the street taking care of her children. The following pictures show two dimensions of urban livelihoods. One (first picture) is about livelihood dependent situation whose husband had gone abroad and another (second picture) is about whole family work for survival on the street whose husband was working as driving.



a) a mother working on the street for survival



b) whole family members' work to survive

Source: *Timalsina, Fieldwork, 2006.*

#### 4. Challenges

It has been difficult for controlling and managing the city environment, including managing footpath, controlling of increasing vending activities and providing easy movement to the pedestrians. Hawkers and street vendors spread their wares on the pavement and sometimes on the street, causing great inconvenience to the pedestrians and vehicles. At present, vendors on the street have so increased that it has been difficult to shoo them away. It is not good to let them stay on the street because it creates a lot of problems, including physical and social problems and difficulty for public movement. It deteriorates the KMC environment by increasing social evils and overcrowding. Vending activities in Kathmandu is rapidly increasing during the last 6/7 years. During the evening, especially at *Sundhara-Khichapokhari, Asan-Bhotahity, Indrachowk, Ratnapark* vendors go on the main street and put up their mats. Vendors



get gathered and shout loudly to attract the customers, which creates a noisy environment. Because of the crowd on the pavement and street, it creates difficulty for vehicle flow and public movement. In response to a question about physical problems, the KMC authority responded:

*I do not have to tell you about the congestion resulting from the vending activities. You can see the situation. Especially during the evening, vendors go on the street and put up their mats. Vehicle flow and pedestrians movement have been entirely affected. It has now been out of control. Moreover, it has become a political issue and organization like GEFONT is giving support to them. I think it is not good to have political protection to such public issues.*

According to the officer, during the festivals (*Dashain* and *Tihar*), vendors increase by two fold and at that time there will be more congestion. All street of Kathmandu, especially *Ratnapark, Asan, Bhotahity, Indrachowk, Sundhara, Khichapokhari, Newroad* become full of street markets. It becomes very difficult even to walk around those locations. During that period, garbage output from those areas becomes almost 3/4 times more than as usual. Municipality has to employ double staff to remove the garbage.

On the one hand, vendors claim that they should have options for living because living on the street was not their wish. On the other hand, the pavement has been encroached to such an extent that if appropriate solution would not be taken, probably almost all pavement and public places will be fully occupied. Therefore, the main problem resulting from increasing street vending is the overcrowding and it leads to encroachment of the public places and roads. Hence, increasing street vending activities in Kathmandu Metropolitan City has created the physical problem relating to encroachment of public places and pavement. Overcrowding and pollution of city environment in terms of garbage are also linked with this.

Similarly, social problems relating to theft, hoodlum, pick pocketing, burglary, crime are linked with increasing street vending activities. In addition to this, conflict between vendors, between metropolitan police and vendors has also been increasing. Vendors have been increasing on the street day by day. Since the space to place their mats is limited, each vendor does not get space to put up their mats and they quarrel and sometime fight each other. It is said that crimes have been increasing in Kathmandu in recent years and some crimes relating to pick pocketing, hooligans according to the street in charge officer are, of course, because of increasing informal activities including street vending in Kathmandu.

In Kathmandu, there is significant number of women street vendors. Some of the women vendors are newly migrated and young as well. Some of them have been facing the problems like raging and misbehaving by the male vendors. Moreover, it was also heard that vendors used to sell stolen and worn out goods. There were some vendors selling worn out (they called it 'sale') goods or second hand goods. Those worn out goods were especially garment products selling at *Sundhara* and *Ratnapark* areas. However, authority of the KMC reported that in the past it was heard that some vendors used to sell stolen goods, but nowadays it has been stopped. In response to a question relating to the goods that vendors were selling on the street, the street in charge of the KMC authority said:

*Nowadays, there is no report about stolen goods that vendors are selling. About second hand goods, some of the vendors are, of course, selling on the street. Vending on the street is not an illegal market, only the problem is their encroachment of public places and pavement. Overcrowding, crimes are also linked with this.*

Besides, increasing crimes relating to street vending activities in Kathmandu has been a challengeable issue. Crime as a social problem is increasing with increasing street vending in Kathmandu. Crime relating issue is noticed when one of the informal informants told a story. His story was like this:

*One day I was staying in my shop, all of a sudden some hooligans shouted loudly as saying Han, Han, Chhapka (blow him, blow him, kill). When I saw two young boys were showing Khukuri (national weapon of Nepal, a sharp weapon like a sword) to each other, I got scared and closed my shop immediately. On the following day, I heard that they were vendors, who used to stay at the same place selling vegetables for many years, and one of them was seriously injured.*

Conflict between vendors and the KMC authorities is also a major problem which is increasing at present in Kathmandu. Officer in charge of the street market said that recently they employed more staffs to control encroachment and overcrowding in the public places. Still the situation was that some of the locations were out of control. There were many reports that vendors and the KMC staffs quarrel. It was because vendors did not want to remove their mats and the KMC staffs were given duty not to allow vendors putting up mats on the street. One informal informant who was working as a metropolitan policeman in this regard said:

*I have been working as a metropolitan policeman for 10 years. It was very easy to deal with vendors when I started my job. But at present, I find it very difficult to deal with them. I have realized that vendors have been increased by twofold in recent years. Public places and pavements have been occupied by the mats. As a metropolitan police, my duty is to take them away from public places and pavements. Instead of moving away, they attack when we go to chase them. One day I had been beaten seriously by some vendors when I told them to remove their mats.*

Hence, it can be pointed out that besides encroachment of streets and public places, social problems including; conflict, theft, robbery, crimes etc. are increasing with increasing street vending in Kathmandu and these issues have been more challengeable to urban governance.

## **5. Conclusion**

Rural migrants, having low level of education and skills, are forced to involve in the informal economy for their scanty livelihood. Street vending activities has become an easy access to those migrants' vendors in Kathmandu. Those vendors see street vending as an opportunity for work and employment in the urban areas and take street vending as an earning opportunity and an opportunity to provide livelihoods to dependent family members. Poor, better off people and some educated fellows have been engaged on the street of Kathmandu for making a living. Not only rural poor are getting livelihood opportunities in informal economy, vendors are providing goods in cheaper price to another section of urban poor that otherwise would be impossible to provide by the urban authorities or by the urban governance system. Thus street vending has become opportunity of marketing space to most of the urban poor in Kathmandu Metropolitan City. However, it has been difficult for controlling and managing the city environment, including managing footpath, controlling of increasing vending activities and providing easy movement to the pedestrians. Hawkers and street vendors spread their wares on the pavement and sometimes on the street, causing great inconvenience to the pedestrians and vehicles. In spite of increasing street vending activities in Kathmandu, it has created several problems such as overcrowding, encroachment of public places, footpath and increasing social problems such as theft, hoodlum, pick pocketing, burglary, crime etc which have ultimately become challenges for urban governance.

Of course, street vending is a challenge for urban governance but what about livelihood rights of more than 30, 000 migrants street vendors' as well as other urban poor who are making their scanty living on the street. Urban authorities need to think to settle down these problems with a logical end. One possible solution for solving the problems can be by providing vendors with a specific location for trading. It can be done with the help of local clubs giving them responsibility for controlling and managing the surrounding environs. Some open spaces can also be identified and provided for trading that can protect livelihoods right of the vendors and manage the city environment for good urban governance.

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