

Informal Payments as a Barrier for Fruits and Vegetables Retailing in Bangladesh: Findings from a Mixed Method Study

About 39.4% of the population in Bangladesh is urban dwellers, fruits and vegetables are the essential items of the human diet. Current per capita fruit and vegetable consumption in Bangladesh is 203.8g/per day¹. About 167g/per day originates from vegetable consumption and 37g/per day originates from fruit consumption. World Health Organization (WHO) and Food and Agricultural Organizations (FAO)'s minimum recommended consumption of fruits and vegetables is 400g/per day/per person². Price and non-price factors such as income, level of education, knowledge regarding nutrition, consumption behavior, location etc. determine the purchasing decision of consumers, where to buy and what to buy.

WHAT'S AT STAKE?

There are significant price differences of the same quantity of products between formal shops and informal retail points. Fruits and vegetables retailers are the integral part of our urban economy and a significant proportion of those retailers are street/mobile vendors. Informal retailing in urban areas provide livelihood to the vulnerable segment of urban population who have less scope to engage in other income generating activities.

There is no policy for the street or mobile vendors in Bangladesh and because of being in informal sector, most of the street or mobile vendors operate their business illegally by regularly making "informal payments" to different group of agents³. Such transactions are indirect tax on business profitability and source of efficiency loss⁴.

Theoretically, retailers forward shift the burden of informal payments to consumers in the form of price increase. Higher cost of healthy diet such as vegetables and fruits is the main reason for lower consumption among low-income consumers⁵. Research evidence supporting the presence of "informal payments" in fruits and vegetables retailing in the urban areas in Bangladesh is scarce, although commonly known. Generating the evidence and understanding its presence along with dynamics in urban areas of Bangladesh is necessary for appropriate policy design to combat.

RESEARCH APPROACH

The study was designed as primary research involving a survey of 1,319 vegetable and fruit retailers residing in two urban areas – Dhaka, a mega city, and Manikganj, a medium-sized city in Bangladesh. It was conducted on the retailers from Wet Market (WM), Street Shops (SS), and Mobile Vendors (MV) from 1st September 2021 to 30th October 2021. Moreover, in-depth Key Informant Interviews (KII) were conducted from different supply chain actors of fruits and vegetables for better understanding of the barriers.

Sample Description

Out of 1,319 retailers, 41.77% were from the WM while 35.63% were from SS and the rest 22.59% were MV. 64.22% of the retailers were involved only in vegetable retailing while 34.34% were doing fruit retailing. Around 85% (1,121) of the retailers were from the six administrative thanas (Badda, Lalbagh, Pallabi, Tejgaon, Mohammadpur, and Uttara) in Dhaka those were covered by the survey. The rest 15% (198) were from the two administrative thanas (Manikganj Sadar and Singair) in Manikganj. Retailing of fruits and vegetables is dominated by male individuals with a low level of educational background. Average age of the retailers was 38 years and average level of business experience was around 10 years. Most of the retailers (92.2%) have initial investment less than BDT 50,000 (\$495 [\$1=BDT101]). Considering the sources of funds of their initial business investment, 92.42% of the retailers mentioned about self-investment, 35.33% informed that they borrowed from friends and relatives, and only 8.29% of them claimed to manage funds from formal institutions.

KEY FINDINGS

The informal payment is more prevalent in Dhaka city area and among the street/mobile vendors

Among the surveyed retailers, 36% of them had to bear informal payment to operate their business. Of the retailers who needed to bear informal payments, 43.87% of the retailers in SS, 63.76% of them in MV and 13.61% of them in WM sellers (Figure 1). In Manikganj district, only 4.76% of the MV and 4.05% of the retailers in SS needed to bear informal payment. This indicates that the informal payment is highly prevalent in the Dhaka city. Wet market sellers in Manikganj have barely had informal payments.

Key Messages

- The informal payment is more prevalent in Dhaka city area and among the street/mobile vendors. So area specific and retailer specific intervention is necessary.
- Retailers need to pay to multiple groups of people to operate their business and the monthly average informal payment is about BDT 1909.
- The frequency of the payments is mostly daily basis, 9 out of 10 retailers need to pay on daily basis.
- Retailers located in less organized and densely populated pay higher informal payment compared to other areas.
- Qualitative findings reveal that transporters and wholesalers need to bear informal payments to delivering and selling fruits and vegetables.

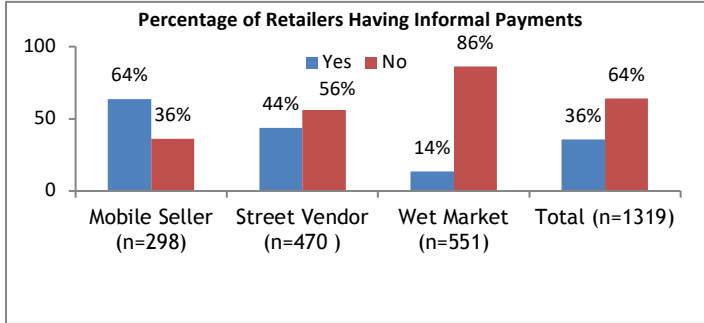


Figure 1: Incidence of Informal Payments

Need to pay to multiple groups of people

Regardless of retailers' type, mostly the informal payments are destined to "Locally Influential Person". A whopping 70% of the mobile vendors made payments to locally influential persons for doing business. A good number (37.3%) of similar type of retailers also paid the "administrative persons" (Figure 2). Considering the possible multiple responses, the result indicates that in many cases the retailers have to pay extra to multiple groups of agents to operate their business.

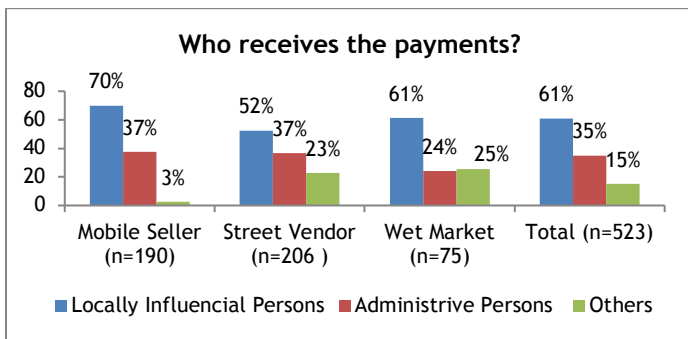


Figure 2: Recipients of informal payments

Informal payment is a regular phenomenon for vegetables and fruits retailers. Most of them need to bear the informal payments on daily basis (Figure 3).

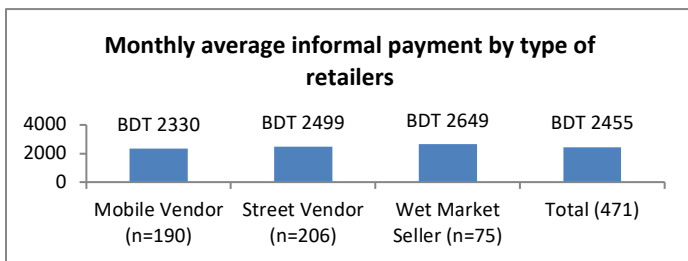


Figure 3: Informal payments by type of retailers

Monthly average payment is BDT 2330 for the mobile vendors, BDT 2499 for street vendors and BDT 2649 for wet market sellers.

Less organized and populous location means higher informal payment

The amount of informal payment also varies with different location of Dhaka city areas. In Lalbagh, on average a fruits and vegetables retailer pay in a month about BDT 3379, in Mohammadpur BDT 3070 and in Pallabi BDT 2766. The average payment in a month at Badda, Uttara and Tejgaon was BDT 2115, BDT 1908 and BDT 1390, respectively. The variation in the monthly payment is high in the locations which are less organized and densely populated.

Qualitative findings; Not only retailers but also transporters and wholesalers need to bear informal payments

The qualitative findings reveal that the wholesalers mentioned about the hidden cost involved in many places in the roads. According to the transporters, road safety, poor connectivity, hidden transactions, traffic jam, and high fuel costs appear to be the main challenges.

POLICY RECOMMENDATIONS

- Government should focus on the different layers of the supply chain of fruits and vegetable, and introduce general as well as area-specific interventions to reduce informal payments.
- Since the incidence of informal payments is mostly prevalent among the street/mobile vendors, it is necessary to formalize the vendors in the government regulatory system.
- The local government should establish guidelines to subsidize vegetable vendors through free market space, low-cost storage, and incentives for urban gardening.
- The government should establish a low-cost transportation link to the vegetable-growing area, as well as support direct access of vegetable growers to consumers.
- To reduce transportation costs for healthy diets, the Ministries of Agriculture, Finance, Local Government, Rail, River, and Road Transportation should form a technical working group for coordination

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