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Edited by Nadeem Ul Haque and Faheem Jehangir Khan

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Edited by Nadeem Ul Haque and Faheem Jehangir Khan



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PART I

MARKETS & REGULATIONS

Research Papers



THE REGULATORY FRAMEWORK AND BEHAVIOURAL ISSUES IN THE INFORMAL KHOKHA MARKETS IN PAKISTAN

Anwar Shah and Tehseen Ahmad Qureshi

ABSTRACT

Khokhas are one of the key segments of the informal economy of Pakistan. The khokhas provide jobs to many people and provide easy access to consumers to various goods and services. However, on average, one observes a very unorganised and shabby structure of the khokhas across Pakistan. This raises the question of why this is the case. Is everyone allowed to start khokhas in any market in Pakistan or does there exist some legal framework? The analysis of the legal framework is important for understanding the barriers to entry and, thus, competition in the khokha market of Pakistan. In addition, we examined the behavioural side of the people associated in any capacity with the khokha markets. We aimed to provide an answer to the question of whether it is the legal side or the behavioural side of the associated people that deters them from entering the khokha market. For this purpose, we reviewed the legal framework and collected primary data from the owners of khokhas. We found that the legal framework is the dominant factor that deters them from entering the khokha market. There exists no legal framework to obtain a license for establishing khokha in the cities which were included in our study. Entrepreneurs set up the khokha with a constant fear of demolition, fines, confiscation, and arrest. We also found that the harassment of current vendors from public authorities is a major behavioural barrier for prospective entrants. We propose a detailed set of policies that can be adopted for creating a formal legal framework for khokhas across Pakistan.

1. INTRODUCTION

Economic prosperity requires the creation of new wealth, which is possible if there are efficient markets. One of the prerequisites for efficient markets is low barriers to entry. A market with a high level of restrictions discourages new entries and thus keeps the competitive level limited, leading to efficiency loss (Labaj et al. 2017). The debate on how to keep markets competitive dates back to the 14th century when Ibn-e-Khaldoon wrote down the principles of competitive markets in his book 'Al-Muqaddimmah'. Ibn-e-Khaldoon was a proponent of free markets and he was against governments participating in markets as traders, as doing so will drop competition in markets. He suggested that government should provide secure and accessible markets for trade.

New entries to markets are possible with differentiated as well as homogenous products. Some entrepreneurs enter markets with the introduction of diversified and differentiated products, while others with products that are similar and identical to the existing ones. In both cases, businesses may face various entry barriers and multiple risks, including financial risk, depreciation risk, and damage risks. In his seminal book, Shepherd (1979) discussed how entry barriers decrease the scope and speed of new entrants into the markets, while the entry of new firms is a source of competition and functional markets (You,1995). Per the literature on industrial organization, the presence of entry barriers gives the incumbent firms an inherent advantage over the potential new entrants, enabling the incumbent firms to generate above-normal profits (Yip, 1982). Therefore, it is important to know the barriers to entry for bringing efficiency and optimal allocation of resources.

It is pertinent to mention that markets are of two types, i.e., formal and informal. Formal markets are those in which starting a business requires fulfilling strict legal conditions apart from the requirements such as the availability of funds and willingness to take the risk. On the other hand, informal markets are those in which an entrant, on average, does not need to pass through stringent conditions of the formal markets. Although there exist some rules for entering the informal markets, the level of details and fulfilment of legal conditions are much lower than in the formal markets. Informal markets are a major source of growth and employment in developing countries, including Pakistan. It provides employment opportunities for the less privileged as well as affordable goods and services for the low-income segment of society.

Khokhas (temporary stalls and street vendors) are a major part of the informal markets in every country, including Pakistan. Khokhas enhance the shopping experiences of city dwellers as well as tourists. The vibrant tourist markets around the world, especially in Thailand, Malaysia, Vietnam, and Singapore mostly consist of temporary stalls. These temporary stalls provide opportunities for poor entrepreneurs, students, and small craftsmen to sell their goods. The khokhas are set up on various street corners across all cities in Pakistan. However, the shabby look and structure of such khokhas raise a question about the regulatory framework. Due to the weak legal framework, the owners of such stalls work under the risk of expulsion (Haque, 2019).

This research work aims to examine whether any regulatory framework prevails for establishing khokhas in Pakistan and to what extent such regulatory framework, if any, is hostile or conducive to entry into Khokha markets. Apart from the legal framework, this work also explores the behavioural barriers for new entrants in the khokhas markets. Specifically, we want to analyse whether it is the legal barriers or the behavioural barriers that are more dominant. We believe that the level of both types of barriers determines the nature of competition in the khokha markets.

Research Questions

The major research question that this study seeks to answer is whether it is the legal barriers or the behavioural barriers that are more dominant. On this basis, we drafted the following sub-research questions.

- Does the legal framework in Pakistan act as a barrier to entry in the form of harassment from the state of informal khokhas?
- Does the behaviour of ordinary people such as friends, family, and neighbours motivate or discourage entry into the khokhas market of Pakistan?

Significance of the Study

The issue of market accessibility is significant for policymakers as the entry of new small firms indicates economic growth and market efficiency. Literature provides support for the positive relationship between entrepreneurial activities and macroeconomic growth (Van Stel et al. 2005; Acs and Storey 2004). On the other hand, entry barriers are a sign of economic disadvantages for many (Barrett, 2008; Bloom et al. 2003) and such economic disadvantage may lead to a poverty trap (Barbier, 2010).

Labour with similar skills and better market access earn a higher return as compared to similar labour with poor market access (Hering and Pöncet, 2010). Market accessibility is affected by the legal and regulatory frameworks (Labaj et al. 2017). Without removing such hurdles, markets cannot grow, and the much-sought GDP growth may be hampered. Identification of entry barriers to the market is of significance as policy decisions are built upon them. This study research helps in the identification of such hurdles. The identification of such barriers is for small entrepreneurs as big industrialists have the potential and resources for lobbying with the policymakers to achieve desired policy decisions.

2. LITERATURE REVIEW

The informal economy is recognized both in the developing and developed world as a source of employment creation and a cheap market for the urban poor. Informal markets provide economical food to the urban population in their residential zones. The role of informal markets is appreciated and acknowledged, but their right to space has not been formally integrated into urban planning.

Street vending is an interdisciplinary subject and has been studied not only from the lens of economics (Bhowmik & Saha, 2013) but also from the perspectives of anthropology (Barthelmes, 2015), sociology (Vargas, 2016), urban planning (Sung, 2011), geography (Turner & Oswin, 2015), development studies (Nirathron, 2006), and gender studies (Cohen, 2010). The primary reason is the importance of street vending in terms of providing earning opportunities for the urban poor and cheap food for the lower middle class.

As per FAO (2007), more than 2.5 billion people across the world eat street food every day. Street food is a source of affordable calorie intake for many individuals in the low-income strata of developing countries. In Thailand, street food is very famous. A study showed that between 1990 and 1998 monthly household expenditure on food items decreased from 76 per cent to 50 per cent and expenditure on outside food increased significantly (Nirathron, 2006). Nirathorn (2006) also conducted a survey and found that half of the consumers purchased street food once a day. The study found that dinner was the most frequently bought meal and 70 per cent of respondents quoted timesaving and convenience as the main reasons for eating street food.

Legal and Behavioural Barriers to Entry

The literature distinguishes two kinds of entry barriers to a market, i.e., structural (exogenous) and strategic barriers (endogenous) (Shepherd, 1979). Structural barriers are known as exogenous barriers because firms do not have control over them. The cost advantage enjoyed by the incumbents is a major exogenous barrier. It forces the new firms to achieve low costs for survival in the market (Han et al., 2001). Product differentiation by the incumbent firms is also found to be a major entry barrier (Pehrsson, 2004; Schlegelmilch and Ambos, 2004). Similarly, switching costs are found to be another major barrier that arises from the costs borne by customers when trying to switch from one supplier to another (Simon, 2005).

Strategic barriers are behavioural barriers created by incumbent firms. As a result, these barriers decrease the competition in the market and benefit the incumbent firms (Dollinger, 2003). Strategic barriers may include predatory pricing and high scale of advertising (Schaumans and Verboven, 2015).

Various formal rules, regulations, and informal norms could act as a hindrance to entry into the market. A small vendor that envisages entering a market formally, has to go through multiple barriers even though the firm remains operating in an informal market (Aguirregabiria and Suzuki, 2015). In an informal market, a business

does not necessarily have to go through the processes of company registration and income tax and other tax registration, but this is not the case in formal markets

Literature has identified various barriers to entry to the formal market, including recurrent visits by government authorities. For example, visits by food authorities for unnecessary checks regarding quality standards and hygienic regulations, rent-seeking in the form of demand of bribes by the officials, threats of closure of business, and imposition of heavy fines in case of non-compliance (Carree and Dejardin, 2007). Similarly, there is resistance from the incumbents. The incumbent sellers operating in the vicinity, who are in the business for a long time and have strong unity among them, might create a nuisance and difficulties for the new entrant. This might include non-cooperative behaviour or maligning the new entrant in the market (Cambell, 2005). Likewise, new firms face hurdles in getting space at affordable prices in centrally located marketplaces. Generally, the market such rents, and this may limit their entry (Schaumans and Verboven, 2015).

Sunk costs for new entrants is also a barrier. It includes costs such as furnishing the shop or office, partitioning the shop into different segments, installing new counters and cupboards, and other such costs. When the shop is vacated after some time, such investments cannot be recovered and are treated as sunk (Zang and Scott, 2016). Furthermore, the new entrants may face difficulty in finding reliable and affordable distribution channels. This may happen either because distributors are already engaged with incumbent sellers and do not have a surplus for supplying to the new entrants or because new entrants are unaware of the distributors because of information asymmetry (Aguirregabiria and Suzuki, 2015). This is a barrier if the product is such that it requires procurement in large quantities and the small vendor cannot afford to purchase such large quantities from the supplier. Another potential barrier is that the incumbents may enjoy customer loyalty because of their long presence in the market. The new entrants may feel that they would not be able to capture the market share from the incumbents as diverting the existing customers may be a difficult task (Dollinger, 2003).

Typology of Street Vendors

Wakefield et al., (2007) categorized street vendors into four main groups (a) sideline, (b) nomadic, (c) opportunistic, and (d) traditional. The first group, i.e., sideline street vendors are the ones who travel to some prominent events such as rallies, state fairs, or farmers' markets to earn some money for supplementing their primary source of income. Nomadic vendors are those who rely on this activity as their primary source of income and travel to various temporary markets all around the year. The opportunistic vendors are temporary businesses that only open up to cater for a short-run increase in demand in a specific circumstance. For instance, a trade fair or a religious congregation. Lastly, the traditional street vendors operate throughout the year with no or very little mobility. The traditional vendors are further classified as mobile vendors and non-mobile vendors (Hiemstra et al., 2006; Nirathron, 2006; Wakefield and Castilo, 2007). Mobile vendors do not operate at a fixed location and carry their stuff on a cart, truck, foot, or boat. On the other hand, non-mobile (permanent) vendors operate at a fixed location such as a street corner or a marketplace at a bus station. Studies show that permanent or static vendors tend to remain in business longer than mobile vendors (Nirathron, 2006).

Legal and Behavioural Issues Faced by Street Vendors After Entry

The following section provides a review of some of the legal and behavioural issues faced by street vendors in South Asia, East Asia, South America, and Africa.

Social Capital

Babb (1998) suggested that social capital is sometimes more important than human capital for street vendors as it is difficult for street vendors to manage many hurdles that they may face. Social capital provides support to street vendors in various forms for solving such issues when they arise. Literature suggests that social capital even helps in starting the venture and maintaining the venture throughout the life of the business (Agadjanian, 2002; Bhowmik & Saha, 2012; Peña, 1999; Reid et al., 2010). For instance, street vendors in Patna, India, rely on their family members to assist them in activities relating to procurement and product preparation for sale (Bhowmik & Saha, 2012). Street hawkers in Manhattan alert one another at the time of expected police raids

(Greenburg et al., 1980). Immigrant vendors in Spain get support from close friends in the form of housing and sharing general expenses (L'Hote & Gasta, 2007). In Mexico, street vendors get access to stalls through their family contacts (Pena, 1999), and women vendors in Botswana even leave their businesses for the sake of neighbour vendors (Lekoko & Garegae, 2006). If a street vendor has a friend or family member running an informal business, the new entrant can set up his business with much ease (Agnello & Moller, 2006).

Financial Capital

Informal businesses face greater difficulties in obtaining credit from formal financial markets (Khawaja & Iqbal, 2019). Credit from formal markets is available, generally, through microfinancing schemes, but in many cases, such small loans are tied to business plans that street vendors are capable of developing (Martinez, 2018). Goldmark (2009) argued that lack of collateral or biases against small and micro firms impede access to finance for small ventures. A common method by street vendors to obtain capital is through rotating credit schemes. In these schemes, a trusted person performs the role of a manager and collects money from a group of individuals and loans it out to each individual on a rotational basis (Agadjanian, 2002; Tinker, 1997). This shows that formal banks do not facilitate the small and micro businesses of street vendors. Rather, they are left out on their own. Khawaja and Iqbal (2019) also found that 63 per cent of the informal establishments in Rawalpindi, Pakistan, obtained credit through a rotating credit scheme, generally known as 'committee' in Pakistan. Khawaja and Iqbal (2019) also found that 88 per cent of the informal entrepreneurs in their survey never applied for a formal loan. However, the problem with a rotating credit scheme is that the manager could disappear with the money, or a group member may not pay back the loan. In some Southern and Latin American countries, borrowing from informal moneylenders is also prevalent, although it comes with a relatively higher cost than the market interest rates to compensate the lender for the higher risk of default (Jaffe et al., 2007).

Competition with Established Retailors

Competition with established businesses operating in the formal sector is also a hurdle for street vendors (Cohen et al, 2000). Retailers think that street vendors enjoy an unfair advantage in competition with established stores because vendors do not have to pay for very expensive commercial spaces, or they pay very little. Street vendors also create a nuisance by blocking the entrance of retail stores and creating noise to attract customers (Wongtada, 2014). Due to these factors, retail store owners want the street vendors to be evicted. Likewise, small store owners consider street vendors to be their direct competitors. However, large store owners only see vendors as a cause of annoyance and unattractive surroundings (Wongtada, 2014).

Economic Downturns

Economic recessions can also cause a lot of new vendors to emerge. Bhowmik and Saha (2012) noted that after the closure of factories in Ahmedabad, India, the factory workers began working as hawkers. Walsh (2010) observed the same in Thailand after the 1997 economic crisis that resulted in massive layoffs. Recessions hit the vendors as much as they hit corporations. Economic downturns result in higher competition combined with decreased consumer demand (Cohen, 2010). In recessionary times, consumers just browse the goods and do not buy at the same level. On the other hand, a recession forces more people to look out for subsistence income, increasing the number of vendors. The purchasing power of the consumers is not sufficient to support all the vendors and, thus, the profits of street vendors diminish (Asiedu & Agyei-Mensah, 2008).

Harassment and Rent-Seeking by Public Authorities

Harassment from public authorities, such as police and municipal officials, is rampant across Asia. As street vendors are perceived to be illegally occupying public space, they suffer from police harassment as well as from racketeers, who charge fees for protecting officials (Hiemstra et al. 2006). Harassment and rent-seeking diminish the profits of street vendors, leading to their exiting the business.

Agnello and Moller (2004) found that in Cambodia, harassment from police and market security was the major complaint by street vendors. The harassment ranges from the confiscation of items, prohibition of vending, or

collection of undue taxes. The street vendors were paying various taxes, such as sanitation fees, umbrella rent, space rent, security fees, and many other taxes, collected by the people of local authorities in the municipality, police, and district administration. Although the payable tax for street vendors is specified in the Cambodian Tax book, the fees are not specified anywhere. Thus, officials find a loophole and indulge in fuzzy tax collection, stemming from the unclear legal status of street vendors.

Agnello and Moller (2004) further argued that street vendors try to protect themselves from harassment by obtaining licenses. In Cambodia, the requirements for obtaining a street vending license include land permission, registration with the tax office, a hygiene department certificate, a certificate of meeting criteria for trading outlets, a permit from the fire department, a permit to use electricity, and other utilities. However, due to complicated and cumbersome procedures to obtain the license, small vendors do not apply for the license, while large vendors, such as those working in containers, get permits for sanitation, fire protection, electricity, and also register with the tax office.

Street vendors in Thailand also face harassment from various tiers of authorities. Wongtada (2014) explained that vendors are allowed to operate at particular times and in specific zones. The law also directs the vendors to have visible identification and appropriate dressing. Vendors are responsible for cleaning their area of work. The officials under the command of the governor as well as local officials are authorized to determine the status of vending activities and amend rules and regulations. The traffic department can also prohibit the vendors if they deem vendors to be obstructing the road traffic. Thus, street vendors can be subjected to punishment by the governor's officials, local officials, and police officials.

Corruption and bribery are also widespread across global street markets. Cohen et al. (2000) stated that bribes to public officials are so prevalent that there is a global vocabulary for bribes. In Nepal, this bribery is known as "private fees for public space". In other countries, some call it "speed money", some refer to this as "routine offerings" or "dog feed", and some call it a "friendship fund".

Regardless of the form that bribery and harassment take, it affects the vendors' livelihood and dignity. Bribery takes away a portion of vendors' daily income and ranges from as low as 3-4 per cent in Chennai, India, and Yokohama, Japan to 6 to 8 per cent in Colombo, Sri Lanka, and Bangkok, Thailand (Cohen, 2010).

In Pakistan, PIDE (2020) shows that hawkers in Karachi pay between PKR 700 to 1,000 in the form of bribes to government officials. It includes police, municipality officials, and local development authorities. In the Saddar market of Karachi alone, the street hawkers pay PKR 67 million per annum to the officials in the form of bribery. It was found that 12,000 hawkers at Mumbai railway stations pay up to USD 2,400 per month in bribes to railway officials (Cohen et al., 2000). Hence, this rent-seeking takes the form of an informal tax on the informal economy.

Vendors Association

When street vendors operate in a distinct location for a very long time, they sometimes form an association to enhance their bargaining power (Bhowmik and Saha, 2012; Pena, 1999; Tinker, 1997). In India, such associations collect money from all the vendors to be passed on as bribes to the officials (Bhowmik and Saha, 2012). In Bolivia, the vendor associations protect the members when they into a confrontation with the authorities. They also bar other vendors to enter the trading areas of existing vendors (Agadjanian, 2002). However, a few studies such as Tinker (1997) and (Agadjanian, 2002) reported that associations are not very effective to deal with the public authorities and are also infested with corruption issues among the leaders of the associations. Thus, the question of who will monitor the monitors prevails in these associations. In some countries, such as Mexico, vendor associations increase their bargaining power through political connections, such as giving gifts to the high-ups and holding political rallies in support of political candidates. Street vendors have to pay regular fees and participate in the associations' activities in return for the protection services. Therefore, this further increases their cost of doing business.

Research Gap

The current literature on the street economy has focused on the barriers faced by incumbent street vendors across various countries. However, there exists a major gap in the literature regarding barriers to entry in the informal markets of Pakistan. A few studies have worked on barriers related to the growth of small firms in Pakistan. For example, Aftab and Rahim (1989) initiated the discussion on barriers to SMEs' growth and identified the socio-economic background of the firms' owners as the largest hurdle in acquiring market skills. Afraz et al. (2013) found that a lack of credit facilities, human resources, and raw materials are major barriers to SMEs' growth. Similarly, Hussain et al. (2012) found corruption and rent-seeking to be major impediments to growth for small firms in Punjab. The authors pointed out that the most common rent-seeking behaviour is the inconsistent interpretation and application of laws and policies across various government departments relevant to licensing, labour, and taxes. Moreover, World Bank Enterprise Analysis Unit and the Investment Climate Assessment (ICA) Survey (2007) found that the shortage of electricity and gas is the biggest impediment faced by the existing firms in the market. William, Shahid, and Martinez (2014) explore the factors which determine the decision of entrepreneurs related to switching from formal markets to informal status. Similarly, Khawaja and Iqbal (2019) studied the factors which lead to the expansion of small and micro firms in Pakistan. Their study focused on both formal and informal firms and explored various factors that contribute to the expansion of businesses.

To the best of our knowledge, there has been little research on investigating barriers to entry in the informal market, especially the street economy. This study aims to identify legal and behavioural barriers that restrict the entry of potential entrants as street vendors. The reason to investigate barriers to entry in the informal markets is that firms entering the formal markets usually have few issues with the availability of finance and human resources. Usually, formal markets have a detailed set of rules and regulations to be followed by the entering firms. Such firms know how to manage and overcome barriers. However, people who want to enter informal markets lack resources and information. They usually enter as a lone entrepreneur and have to manage all the business and the cost of knowing and fulfilling legal requirements, if any. This makes our study important, which will help new entrants to know the legal and behavioural issues in the informal markets.

3. RESEARCH METHODOLOGY

This study is qualitative. We first reviewed the legal framework for doing business in the khokhas markets in Pakistan. For this, we studied documents on the legal framework and met people in relevant regulatory departments, such as food authorities, development authorities, municipal authorities, local administration, police departments, lawyers, local body representatives, the political representatives of khokha organisations, and others. Furthermore, we collected primary data through in-depth interviews with the individuals currently running khokhas. We also met some people who ran khokhas but have now left the market. The research design of in-depth interviews was useful for open-ended discussions and allowed to obtain insights into the legal and behavioural hurdles for new entrants (Allen, 2017).

Primary data was collected in five cities of Pakistan, i.e., Islamabad, Rawalpindi, Peshawar, Lahore, and Mingora, Swat. We conducted detailed interviews with khokha owners in each of these five cities. Figure 1 shows the list of cities where we conducted in-depth interviews. The markets in each city were selected based on the population of khokhas to ensure heterogeneity across the city. Figure 2 shows the list of the markets covered in each city.

The respondents included vendors on footpaths, parks, streets, outside the shops, parking lots and food trucks parked at the corners of roads. In the survey, we tried to include as much diversity of khokhas as possible.

Figure 1 Data Collection Map

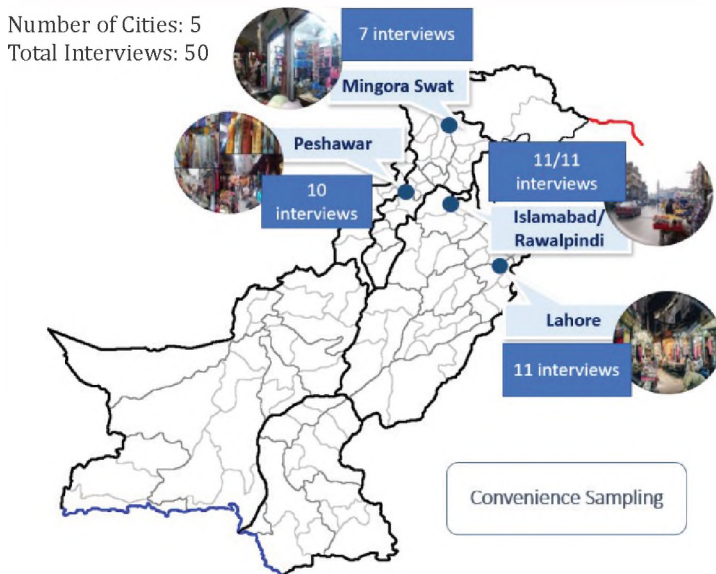


Figure 2 Markets Covered in Each City

City	Markets Covered
Islamabad	1. F6 2. F7 3. G8 4. G9 5. F10 6. Bhara Kahu
Rawalpindi	1. Raja Bazaar 2. Commercial Market 3. Scheme 3 4. Gulzar-e-Quaid 5. Airport Road 6. High court Road
Lahore	1. Liberty Market 2. Gulberg Main Boulevard 3. Johar Town 4. Township 5. Wapda Town 6. Mughalpura 7. Thokar Niaz Baig 8. Mall Road. (No Khokhas in Defence and Cantt)
Peshawar	1. Saddar Market 2. China Market
Mingora, Swat	1. Cheena Market

Data Collection

We collected data from current khokha owners by visiting them, while those who have left the khokha business were interviewed by telephone. We tracked such khokha owners while conducting interviews with the existing khokha owners. The process of convenient sampling was used. The reason is that legal issues are, on average, the same and given for all khokha owners and do not change with the change of khokha owners. Hence, as far as the behavioural and legal issues are concerned, such as harassment, raids by authorities, bribes, and others remain the same and are independent of the choice of sampling. However, other behavioural issues, such as harassment from the current khokha owners, depend on the location of khokha owners for which we tried to include khokha owners from different locations and different categories. All interviews were recorded to be transcribed with ease later. We interviewed fixed khokhas owners with exception of food truck businesses. Fixed vendors generally operate at a fixed location, and they face more legal and behavioural issues than mobile vendors, such as confiscation, and fines at the time of eviction drives. On the other hand, mobile vendors can leave the location when such drives occur. In summary, fixed vendors are at a higher risk of getting harassed by authorities and retailers.

Before the analysis of the primary data, first, we would like to provide an analysis of the legal framework for Khokhas in Pakistan.

4. LEGAL FRAMEWORK FOR KHOKHA IN PAKISTAN

Defining Khokhas

Pakistan does not have any legislation (an Act of Parliament) on street vending (khokhas). Therefore, we have no legal definition of a khokha in Pakistan. In November 2020, The Poverty Alleviation and Social Security Division drafted a bill in collaboration with the Pakistan Institute of Development Economics (PIDE) to bring street vending legislation. The purpose of the bill is to protect the rights of street vendors in Pakistan. However, due to the COVID-19 pandemic, the bill has still not been tabled in parliament.

On the contrary, India has drafted legislation for street vendors. A street vendors act 2014 (Protection of Livelihood and Regulation of Street Vending) has been passed and came into force on 1 May 2014. This Street Vendors act defines street vendors or khokhas as “ a person engaged in vending of articles, goods, wares, food items, or merchandise of everyday use or offering services to the general public, in a street, lane, sidewalk, footpath, pavement, public park or any other public place or private area, from a temporary built up structure or by moving from place to place and includes hawker, peddler, squatter and all other synonymous terms which may be local or region specific”¹.

¹ The Street Vendors (Protection Of Livelihood and Regulation Of Street Vending) Act, 2014, available at <https://legislative.gov.in/sites/default/files/A2014-7.pdf>

Neither Indian law nor any Pakistani regulation defines the size or measurement for the classification of khokhas. Hence, a khokha could be only a cart (rerhi) or a temporary stall that could have an area of 5 sq. ft. or 100 sq. ft. Khokhas have a temporary built-up structure and mostly operate on a street, sidewalk, public park, parking lot or a public place. It could operate on state land for free or on private land for rent.

Legal Framework of Khokha in Cities of Research

In this section, we provide the legal framework for khokhas in the cities where we conducted our research. In this regard, we met relevant authorities. For example, we met Tehsil Municipal Officer in Mingora, Swat and his staff. We submitted a request for the provision of a copy of the framework that regulates khokhas. We were told that there is no proper documentation for the regulations of khokha in Mingora, Swat. In addition, there is no proper procedure for licensing and all temporary stalls in various parts of the city are not per law. However, due to political repercussions, they avoid taking legal action against all such setups. The staff in the municipality directed us to the local government act available on the website for more details. However, there is no discussion related to khokhas in this act.² Per our knowledge, there is also no proper legislation for the operation of the khokhas in Peshawar, Rawalpindi, and Lahore. However, we found some legal documents related to the khokhas in Islamabad. Apart from Islamabad, none of the city development authorities/local governments have formulated any policies/laws regarding the legal structure of khokhas. Hence, we present below a detailed description of the legal framework for khokhas in Islamabad.

Historical Overview of the Legal Framework for Khokhas in Islamabad

Islamabad is the only city in Pakistan that has issued licenses for temporary structures on green belts/sidewalks, generally known as khokhas/dhabas/rehri-walas. According to the documents, in 1979, the then President of Pakistan, General Zia ul-Haq directed Capital Development Authority (CDA) to issue licenses to small businesses, such as rehri-walas/khokhas". At that time, the capital city was developing and there was a shortage of proper markets and stores.

On the Presidential directives, dated 31.10.1979, the then Federal Secretary of Housing and Works started the process of issuing licenses to khokha-walas (kiosks owners) to support the development of Islamabad through the provision of cheap food to the working labour. Considering the directions of the President of Pakistan, the Planning Wing of CDA framed the policy for the allotment of tea stalls/kiosks in 1986. The Planning Wing of CDA earmarked the site for kiosks and the Works Directorate constructed the site and handed it over to the Municipal Administration for further action. The Municipal Administration then used to hand over the Khokhas to private individuals at a nominal rent of around PKR 100.

CDA further streamlined the policy on khokhas by introducing the "Policy Regarding Location of Cabin Shops, Kiosks, Tea Stalls, and Temporary Structures in Islamabad" in 1986. Under this policy, CDA rationalised the process of issuing licenses to three main khokha categories:

- In developing sectors, as the development of markets took time, temporary khokhas were allowed to be set up as an interim arrangement for the residents of that area.
- Alongside the highways and service roads of sectors, where there were no markets left for the shoppers, small khokhas were allowed for the facilitation of travellers and shoppers.
- In parks and recreational places, small khokhas were allowed to be constructed for providing drinks and snacks to visitors.³

The earmarking of the location was done by the CDA. As per the rules, the Director of Municipal Administration (DMA) was in charge of issuing the licenses after getting approval from the Planning Wing of the CDA.

² The act is available online on this address:

<https://lgkp.gov.pk/wp-content/uploads/2019/06/The-KP-Local-Government-Amendmen-Act-2019.pdf>

³ Lodhi, A. (2019). One Khokha, One Thousand Lives, Soch Writing, available at

<https://www.sochwriting.com/one-khokha-one-thousand-lives/>

Issuance of Licenses and Imposition of Ban

From 1986 to 1992, CDA issued 646 licenses for running temporary khokhas at different locations in Islamabad against a nominal fee. In 1994, CDA stopped receiving the fee and demolished the khokhas, especially in the area where embassies were located and other sensitive locations citing them as a security risk. In 2009, the Khokha Association met with the chairman of the CDA, for the restoration of 646 khokhas. Due to this effort, a survey was carried out by the CDA along with the representatives of the Khokha Association and found 250 khokhas owners having proper old permissions at different locations in Islamabad. Thus in 2009, by the directions of the then chairman CDA, out of 646 khokhas, these 250 khokhas were restored.⁴ The CDA also collaborated with some khokha owners for the beautification of their khokhas.

In the same year, the CDA issued new licenses for khokhas taking the total number to 485. As per the statistics presented in the Islamabad High Court by the Mayor of Islamabad, 235 new licenses were given in 2009. Thus, CDA recognized the existence of 250 old khokhas with licenses from 1986 to 1992 and 235 new khokhas with licenses issued in 2009. However, the Mayor of Islamabad stated in the Islamabad High Court that more than 2,000 khokhas were operating illegally in Islamabad. However, he was unable to provide any evidence for his claim.⁵

Next, the federal government perceived khokhas as a security risk and banned further allotment of khokhas. Therefore, the chairman of the CDA imposed a ban on the new allotment of khokhas on 06-02-2010. This decision of the chairman of the CDA was also given final approval by the CDA Board on 27.12.2011. This ban on khokhas is still intact. According to the CDA, even the 485 licensed khokhas have ugly and shabby structures, tarnishing the beauty of Islamabad and are no longer needed. The CDA believes that the khokhas were only allowed to operate when Islamabad was developing and now that all markets of the city are properly functioning, there is no need for temporary stalls and should be eliminated⁶. Thus in 2013, CDA decided to cancel all the 485 licenses. The Directorate of Municipal Administration issued cancellation notices to all types of license-holders on 01-11-2013. Thereafter, in 2015, the Enforcement Directorate started a grand operation against the kiosks and demolished more than 315 khokhas. As a result, the Khokha Association launched a city-wide protest, held press conferences, and met with the members of the National Assembly and Senate with their demands. The anti-encroachment operation against khokhas started in 2015 and continued from time to time.

The Restoration Process of Khokhas in Islamabad

In 2015, the National Assembly of Pakistan took up the matter of the khokha-demolishing drive and instructed the CDA to reinstate the demolished khokhas in three days. The National Assembly, vide order O.M F12(3)/2015-Com-I, dated 30th December 2015, of the National Assembly Secretariat (Committee Wing), made some recommendations in the context of the meeting of the Senate Standing Committee on 9th November 2015 that CDA may restore the 485 licenses within 03 days.⁷

On the directions of the National Assembly of Pakistan, a resolution was passed by the House of Mayor Metropolitan Corporation Islamabad in the 14th and 15th meetings of Metropolitan Corporation Islamabad on 28-08-2017 and 28-09-2017 regarding the restoration of all the 485 cancelled kiosks, which was principally approved by Mayor Metropolitan Corporation Islamabad. Thereafter, a follow-up meeting was held on 25-05-2018, and the mayor of Islamabad decided to first issue offers letters to 235 licensed khokha owners, with the condition that the khokhas would be of a standard size and design. Formal licenses were to be issued after vetting by Planning Wing CDA.⁸ However, the licenses were never actually restored by the CDA.

⁴ Official Documents retrieved from CDA by the authors of this study

⁵ Lodhi, A. (2019). One Khokha, One Thousand Lives, Soch Writing, available at <https://www.sochwriting.com/one-khokha-one-thousand-lives/>

⁶ Ibid

⁷ The News. (2015). CDA asked to restore licensed kiosks within three days, available at <https://www.thenews.com.pk/print/82842-CDA-asked-to-restore-licensed-kiosks-within-three-days>

⁸ The Nation. (2019). New kiosks allotment plan shelved after CDA, MCI resistance, available at <https://nation.com.pk/05-Sep-2019/new-kiosks-allotment-plan-shelved-after-cda-mci-resistance>

ome offerees started their business in the demolished kiosks based on the offer letters issued to them but without the site being vetted by the Planning Wing of the CDA. Therefore, the CDA again demolished such khokhas constructed on green belts.⁹ Between 2015 to 2019, a few of the khokhas kept operating in the city even without any legal status.

In 2019, around 120 licensed khokha owners filed a writ petition in the Islamabad High Court for their legal right to operate the khokhas per their licenses. A single-member bench of the court passed the judgement against the khokhas. The court observed that the CDA or MCI had no right to issue such licenses in the first place and all such licenses were illegal. The court stated that the federal government is the custodian of the Islamabad Master Plan and the allotment of land for khokhas fall under the 'Zoning Regulation & Developing Sector' tier of the Master Plan ¹⁰. The excerpt from the High Court order reads: *"The concept of the license can only be considered as personal/gratuitous, which is revocable and there is no compulsion upon grantor to inform the other party before seeking its cancellation and even the person whose license has been revoked cannot call himself as an aggrieved party within the meaning of article 199 of the constitution, because the concerned authority can revoke/terminate the license at any time. Whereas no declaration in the shape of writ petition could be given against the cancellation of license, therefore, all the captioned writ petitions are hereby DISMISSED for being meritless".* ¹¹

Current Status of Khokhas in Islamabad

After the dismissal from High Court, the Khokha Association approached the Minister of Interior regarding the appropriate action for kiosk/khokha affectees. On 10-06-2019, the Minister of Interior, of the Government of Pakistan issued directions to the MCI/CDA to provide a brief history of the subject matter to resolve the issues of kiosk/khokha affectees. After several follow-up meetings, the Standing Committee on Interior forwarded the recommendations to the CDA regarding the restoration of kiosks/khokha in Islamabad.

In this regard, the Planning Wing of the CDA prepared a summary on 18-02-2020 for the CDA Board regarding the Regulations for the Earmarking of Temporary Kiosks/Khokha Sites in the Layout Plan, 2020. In response to the summary, the decision of the CDA Board was *"After due deliberations, the CDA Board decided that in the first instance draft "Regulations for Earmarking of Temporary Kiosk/ Khokha sites in the Layout Plan, 2020" attempted by the CDA will be referred to the Metropolitan Corporation Islamabad (MCI) for their examination, evaluation and input before submission for evaluation and approval to CDA Board under the Planning parameter/ domain of those areas which belong to the CDA".* ¹²

On 09-10-2020 the Planning Wing of the CDA once again presented the summary to the CDA Board regarding "Regulation for earmarking of Temporary Kiosks/ Khokha sites in the Layout Plan 2020". The policy of CDA is narrated as *"After due deliberation, Board observed that a policy regarding the allotment of temporary kiosk/khoka is a preview of the DMA, MCI, while the earmarking of Temporary Kiosk/Khoka sites/area in accordance with Planning Parameter is purely the domain of the CDA, being the custodian of the Islamabad Master Plan. The ownership of Temporary Kiosk/khokha sites will remain with the CDA and these kiosks/khokha/sites are nontransferable. The Board further directed that the Directorate of Municipal Administration MCI would forward each case for the earmarking of sites for Temporary kiosks/khokhas to the Planning Wing, CDA on case to case basis. After considering and examining each case, the Planning Wing CDA would earmark Temporary Kiosk/khokha/sites, in accordance with the Planning Parameters and the existing Rules and Regulations".* ¹³

Thus, as of now, no new licenses of khokhas are being issued and all previously licensed khokhas are deemed cancelled. Any khokha operating even after the cancellation of the license is deemed illegal under the CDA rules. The CDA Board decided to review the restoration of khokhas on case to case basis. However, as of May 2021, not even a single case has been referred by the CDA

⁹ Interview with Inspector, Directorate Municipal Administration, CDA

¹⁰ Express Tribune. (2019). IHC permits CDA to demolish licensed kiosks in Islamabad, available at <https://tribune.com.pk/story/2005561/ihc-permits-cda-demolish-licensed-kiosks-islamabad>

¹¹ Official Documents retrieved from CDA by the authors of this study

¹² Ibid

¹³ Ibid

The Uncertain Future of Khokhas

The CDA claims that the licensing of khokhas is a function conferred to Metropolitan Corporation Islamabad as per Islamabad Local Government Act 2015¹⁴. CDA believes that the issuance of the license to khokhas is further backed by Section 15A of CDA Ordinance, Article 140A of the Constitution of Pakistan, ICT Local Government Act, Section 15A of CDA Ordinance, 1960 read with ICT Municipal Bye-Laws 1979, President of Pakistan's order dated 21st October 1979, Secretary of Housing's decision dated 15th July 1978, National Assembly's direction dated 30th December 2015, CDA's 1986 Policy, and MCI's Resolution dated 28th August 2017¹⁵.

After the involvement of the Ministry of Interior and National Assembly, the CDA started to lay out new regulations for khokhas in 2020. In the CDA Board meeting of February 2021, new regulations for earmarking the sites for khokhas were presented. However, the CDA Board did not approve the new regulations but rather forwarded them to the MCI for their input. The CDA considers itself the custodian of the state's land, therefore, it believes it has the mandate of earmarking khokha sites while the MCI has the mandate of issuing licenses to individuals based on the Local Government Act 2015.¹⁶

As per the proposed regulations, all old licenses will be deemed cancelled after the enforcement of new regulations. The CDA plans to earmark sites and sizes. The CDA will not allow the licensees to encroach from the approved size. The licensees would get the design approved by the Directorate of Architecture, CDA, and no gas and electricity connection will be allowed to the khokhas and the owners will be responsible for installing solar energy, gas cylinders, or generators for their energy use. The khokha owners would also have to manage the cleaning of the sites and will not indulge in any activity resulting in environmental hazards. The land of the khokha will remain the property of CDA and sub-leasing will be strictly prohibited. The maximum size of the khokha will be 12 by 12 feet and the member planning, CDA, will approve the earmarking of such sites. The preferred sites for new khokhas will be underdeveloped commercial zones, metro-bus stations, and unutilised land along highways and major city roads.¹⁷

Islamabad remains the only city with few regulations, yet the demolition of licensed khokhas periodically has shattered the confidence of the khokha owners in the law. The lack of policy governing thousands of khokhas is a major hurdle for new entrepreneurs in setting up businesses. There has been no defined set of rules for the issuance of licenses in the past, thus leading to nepotism in rewarding the licenses¹⁸. Well-defined rules and transparency in the implementation of such rules are the only way forward for promoting a vibrant street-vending economy in Pakistan.

Comparison of Legal Framework Across Regional Countries

Countries around the world have introduced laws enabling a vibrant street economy that creates job and provide cheaper goods to the local community as well as tourists. In this section, we compare the laws related to the establishment and running of kiosks in India, the Philippines and Thailand, three countries with huge street economies.

¹⁴ Islamabad Local Government Act 2015, available at https://na.gov.pk/uploads/documents/1448345650_900.pdf

¹⁵ Business Recorder. (2019). SC urged to allow licensed kiosk to continue business, available at <https://www.brecorder.com/news/amp/4724783>

¹⁶ The Nation. (2020). Formulation of kiosks' regulation delayed due to non-cooperation of MCI, available at <https://nation.com.pk/14-May-2020/formulation-of-kiosks-regulation-delayed-due-to-non-cooperation-of-mci>

¹⁷ Ibid

¹⁸ Ibid

Legal Framework	Rules and Regulations in Other Countries	Rules and Regulations in Pakistan
Vending Authority		
<p>India Indian Street Vendors Act 2014 approves the establishment of Town Vending Committees in each ward or zones to regulate the street vendors.</p> <p>The Town Vending Committee of each zone shall constitute bye-laws for regulating traffic in the vending zones, the regulation of civic services in the vending zones, the determination of periodic maintenance charges, the collection of taxes and fees from the vendors, the determination of penalties, the regulation of quality, hygiene and safety standards.</p> <p>Philippines The establishment of the Public Market Board under the leadership of the Municipal Mayor.¹⁹ Power to conduct draws for lots and opening of bids for vacant or newly constructed stalls and award of licenses to qualified applicants. Formulate policies to regulate market administrations and determine the fees</p>	<p>Only Islamabad: The licenses issued by the CDA to the 485 Khokha in Islamabad are backed by the following law and executive orders: Article 140A ICT Local Government Act Section 15A of CDA Ordinance Municipal Administration Ordinance, 1960 read with ICT Municipal Bye-Laws 1979 Secretary of Housing’s decision dated 15th July 1978 President of Pakistan’s order dated 21st October 1979 CDA’s 1986 Policy. National Assembly’s Direction 30th December 2015 and MCI’s Resolution dated 28th August 2017</p> <p>However, there is no mandate for a separate authority for overseeing and regulating khokhas.</p>	
Vending Zones		
<p>India Vending zones are to be designed through a survey and vendors are to be accommodated within them. Each zone should have vendors no more than 2.5% of the population. A survey shall be conducted at least once in 5 years No street vending allowed in no vending zones.</p> <p>Thailand Vendors must seek vending permission and obtain a license to operate in a vending zone. License to be renewed annually.²⁰ Any vendor operating outside the vending zone is considered illegal. Illegal vendors are to be fined no more than 2000 Baht. A designated vending area can be revoked at any time for reasonable reasons. No vending in the following zones or areas Within 10 meters of bus stops and entrances of subways Within 2 meters of pedestrian bridges A pedestrian crossing Entrances of buildings Entrances of public toilets and phone booths</p>	<p>Only Islamabad: As per CDA 1986 policy, the following zones were created for setting up khokhas,</p> <p>In developing sectors: Due to the time it takes for the development of proper markets in a developing sector, temporary kiosks be set up as an interim arrangement for residents of the area. Along peripheral service roads of sectors and highways in the urban area: due to community-oriented nature of bazaars and markaz in the planning of Islamabad, peripheral roads are left with no markets. So small kiosks be made for travellers for their petty shopping.</p> <p>In the Parks and recreational areas: for remote interesting points, small kiosks be made for shopping, drinks and snacks.”</p>	

¹⁹ THE TRINIDAD MARKET CODE OF 2007

²⁰ The BMA Ordinance on Selling in Public Places and Footpaths

Licensing	
<p>India Vending certificates to be issued by Town Vending Committee. Minimum age 14 years Three types of certificates Mobile Vendors Stationary Vendors Any other type When the number of applicants is more than the allowed capacity, a draw shall be held. The remaining applicants can be adjusted in the adjoining zones</p> <p>Thailand A city law approved by the council members. Law states that street vending is illegal unless permission is sought from authorized local officers Law gives extensive powers to local offices in issuing and revoking licenses. (local officers include metropolitan police, metropolitan administration, city inspectors and city administration).</p> <p>Philippines No ownership, only lease. Any vacant stall will be made available for bid through a notice posted on the stall. The vacancy will be filled in no more than 10 days. Anyone over the age of 21 can apply. Local businessmen and residents shall be given priority to bid The highest bidder shall automatically be the winning bidder in a particular stall/space. The lease will be for 2 years but renewable for another two years without bidding subject to the approval of the market board. The stall occupant will be provided with an electricity meter. A complete schedule of fees is prescribed for each kind of business and locality of the stall.</p>	<p>Only Islamabad: CDA first issued licenses in 1992 as per the 1986 policy. The division of licenses was as follows. 20% quota for disabled persons 60% quota for those who have existing khokhas 20% CDA's discretion quota CDA issued licenses for 3 years, that were renewable. On 31st October 2011, the CDA decided to ban the allotment of new kiosks (khokhas) in pursuance of the 1986 policy. This was only because of the lack of transparency in the mechanism of their allotment Before a new policy could be tabled, however, a Single Bench of the Islamabad High Court constituted a Judicial Commission in 2012 for this matter. Recommendation No. 9 of this Judicial Commission's report was as follows: <i>"Temporary permission for leases/license regard use of CDA land should be banned."</i> Nowhere does Recommendation 9 specifically mention "kiosks". Taking the recommendation by the judicial commission as an excuse, on 1st November 2013, CDA cancelled all khokha licenses in a single day.</p>
Ownership of Site	
<p>India No ownership. A licensed vendor cannot transfer the certificate to another person A license can be transferred to the spouse or dependent child in case of death/permanent injury. Each vendor will pay specified fees and certificates will be renewable on payment of fees.</p>	<p>Only Islamabad: As per CDA policy, the land is given on lease for 3 years and the license holder cannot claim ownership of that land.</p>

<p>Thailand No ownership, only lease. A license can be transferred to the spouse or dependent child in case of death/permanent injury. Annual fees of 300 Baht to be paid by vendors in the official vending zones</p>	
<p>Duties and Rights</p>	
<p>India If vending is done on a time-sharing basis, each vendor will remove his goods and wares every day at the end of the time. Every street vendor shall maintain cleanliness and public hygiene in the vending zone Every vendor will pay maintenance charges for civic amenities. The vendor cannot be evicted unless given a 30 days notice period. If a vendor doesn't vacate the place by the notice period, the local authority shall have the right to forcibly evict him and seize his goods. Street vendors may reclaim their goods after payment of a fine. Authority shall return non-perishable goods in 2 days and perishable items on the same day after payment of fine, A street vendor operating with a certificate in his zone cannot be harassed by police or any other authority.</p> <p>Thailand The display must not exceed 2 sq. meters in width or 1.5 m. in height 01 meter of space should be left for pedestrians to walk. Times are allocated for day and night shifts. A vendor can place 2 dining sets (one table and 4 chairs in each set) Cancellation of license if some unauthorized person operates the stall Local officers can determine the fine rates as per the zone rules. Half of the fine will go to the city inspectors</p> <p>Philippines All street vendors to secure a sanitary permit and health certificate. Food handlers are to obtain a health certificate every 6 months and failure to do so will result in the closure of business. Prohibition of transferring the lease to another person or business.</p>	

<p>Have his/her picture framed and hung up in the stall. Hanging of permit on the stall. To keep the stall in good sanitary conditions. Violators are to be fined between PhP 1,000 to PhP 2,000 There shall be no extension of stall spaces Third violation to result in termination of the license.</p>	
<p>Entitlements</p>	
<p>India Licensed vendors will be entitled to soft loans and credit schemes from time to time.</p> <p>Thailand Licensed vendors will be entitled to soft loans and credit schemes from time to time. Subsidized rates for annual health checkups.</p>	

4. IDENTIFICATION OF BEHAVIORAL AND LEGAL BARRIERS

In this section, we provide an analysis of the behavioural issues based on our in-depth interviews. First, we provide an overall analysis and then we provide a detailed analysis of each of the behavioural issues faced by the khokha owners.

Overall Descriptive Analysis

The descriptive analysis of our respondents is shown in Table 1. In our survey, 48 Khokha owners were male while two were female. In Pakistan, the street economy is mainly run by males and finding a female owner of khokha is very rare. In our data, 32 respondents were married while 18 were single. We found that most of the respondents had 12 years of education followed by individuals with no education. However, 11 respondents were graduates and two even had master’s degrees. Our findings are in line with the findings of Khawaja and Iqbal (2019) who showed that in Lahore, about 46 per cent of the informal entrepreneurs had 10 years of education. The same is the case in our study where the majority of vendors had above 10 years of education. Our findings are also consistent with Kemal and Mahmood (1998) and Burki and Khan (1990). They found that informal entrepreneurs were better educated than formal workers.

The age of respondents fell between 18 to 50 years. About 25 respondents were in the range of 18 to 25 years, while 6 were in the range of 35 to 50 years. This shows that the majority of khokha owners in our sample started entrepreneurship at a relatively young age. The findings match with that of FBR (2008) and Gennari (2004) who found similar results for Pakistan. Informal vendors were also found to be young in other countries as mentioned by ADB (2012) and Williams & Martinez (2014). The reason is often cited to be a lack of jobs and alternate means of living for younger people with little or no job experience and education (Ahmed, 2008).

Moreover, 22 vendors had a household size of greater than seven people, followed by those with three to five family members. As per Household Integrated Economic Survey (HIES) 2018-19, the average household size in Pakistan is 6.24²¹. The respondents in our sample were generally from households that have higher than average household sizes. This can be because the household income may be insufficient (Kusakbe, 2006) and/or they might have needed another source of income, or it could be that poorer households had higher household sizes.

Almost half (23) of the khokha owners were running food businesses, i.e., burgers, shawarmas, and barbecued

²¹ HIES, 2018-19. Pakistan Bureau of Statistics, available at https://www.pndajk.gov.pk/uploadfiles/downloads/hies_2018-19_writeup.pdf

food, among other things. The second most common business was clothing and hosiery (14 respondents), whereas 10 people sold various accessories, such as make-up, mobile chargers, and caps. Few participants sold juices and milk shakes.²²

Half of the khokhas owners in our survey did business in front of a shop. Around one-third of the khokhas surveyed were located on the footpaths, while few had khokhas in parks, parking lots, or streets. Generally, khokhas work in areas where the flow of buyers is high and frequent.

As far as ownership is concerned, 42 were sole owners. Moreover, 32 khokhas were relatively new and had been started by the current owners, while 18 had been inherited from their fathers or brothers. The owners who entered the market 3 years ago were 17, while 10 owners entered the khokhas market one to two years ago.²³ In our sample, 5 respondents were those who had left the khokha business in the past and were now either running a formal business or had started a job.

Table 1 Descriptive Statistics

Variable	Number of Respondents
Gender	
Male	48
Female	2
Marital Status	
Single	18
Married	32
Education	
Illiterate	9
Primary	6
Matric	9
Inter	13
Bachelors (14 years)	3

²² As per HIES 2018-19, the average household size in 1st quintile is 8.11, higher than the national average of 6.25. Similarly, PIDE (2020) paper titled 'Urban Pakistan and the Street Vendor Economy', Webinar Brief No. 01 argues that an average street vendor in Pakistan earns between PKR 500 to 2500 per day, putting them in the 1st or 2nd quintile.

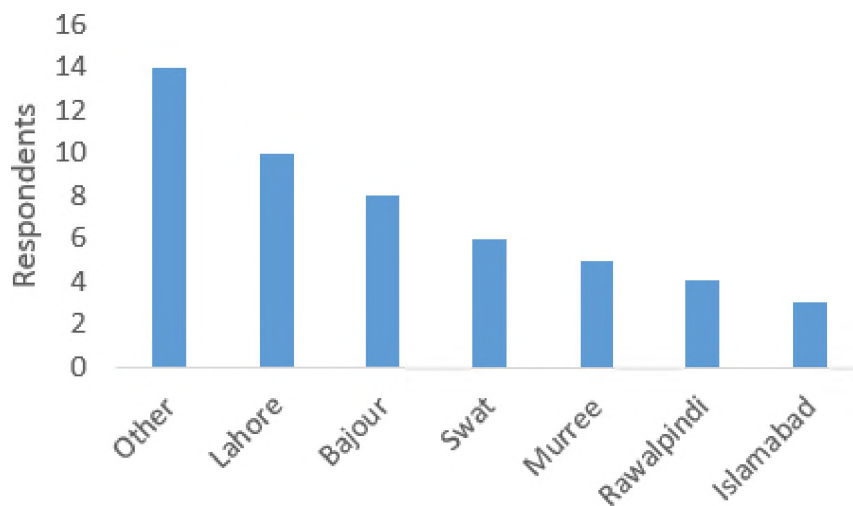
²³ We tried to include only new entrants in the khokha business so that the current legal barriers could rightly be highlighted. For this purpose, we interviewed khokha owners who opened the khokha at the existing location in the last six years. Although we wanted to include only those who entered the business very recently, i.e., opened a khokha during the last two years, we were unable to find such entrepreneurs in a sufficient number. Therefore, we had to change the eligibility criteria.

Bachelors (16 years)	8
Masters (18 years)	2
Age	
18-25	20
25-35	24
35-50	6
Household Size (No. of persons)	
1-3	1
3-5	17
5-7	10
More than 7	22
Type of Business	
Food	23
Juice Corners	3
Clothing and Hosiery	14
Accessories	10
Site of Khokha	
In front of a shop	24
Footpath	15
Parking lot	6
Park	3
Street	2
Ownership of Business	
Sole Proprietor	42
Partnership	8

Years Since Entry	
6	5
5	4
3	17
2	10
1	4
Less than 1	10
Exited from Khokha Business	
Yes	10
No	40

Figure 1 shows the geographical background of the khokha owners. Peshawar had the highest number of migrant vendors, mainly from the Bajour Agency (a former tribal district). Lahore had all but 2 local khokha owners. In Islamabad, almost half of the respondents belonged to Murree, while in Swat 6 out of 7 respondents were locals. The findings suggest that Peshawar and Islamabad had a large number of migrant vendors from small cities, while in Lahore, mostly the local people were running khokha businesses.

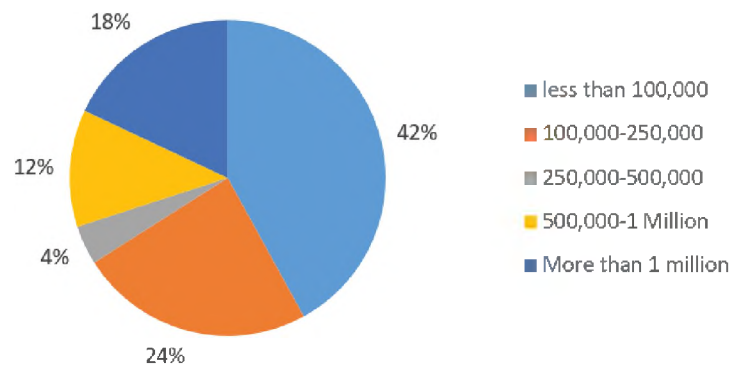
Figure 3 Background of Respondents



Financial Conditions and Constraints on Khokha Owners

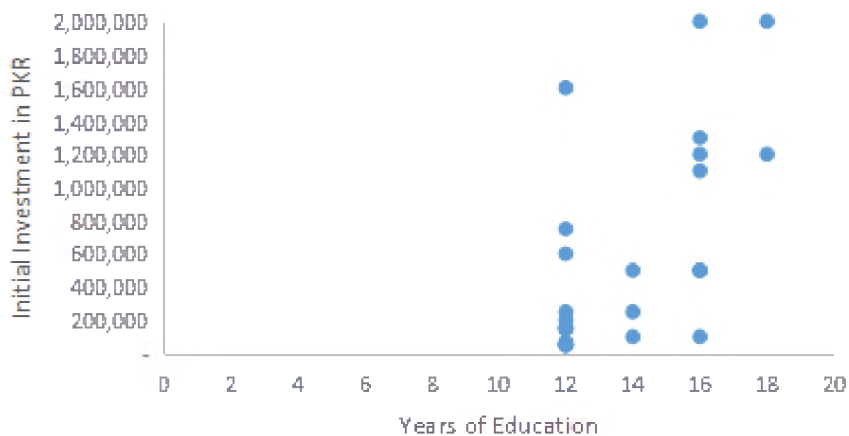
In this study, we found that the total initial capital for the establishment of khokha ranged from PKR 20,000 to PKR 2 million. About 42 per cent of the respondents started the setup with less than PKR 100,000, while 24 per cent of the respondents started the setup with PKR 100,000 to PKR 250,000. The initial investment of 12 per cent of the respondents ranged between PKR 500,000 and PKR 1 million, while 18 per cent invested more than PKR 1 million. This shows that about 30 per cent started the business with relatively high capital. The highest investment was made by the entrepreneurs in Islamabad followed by Peshawar. In Islamabad, some of the khokhas were very large and were being operated in those sectors that are generally known as elite sectors. This could be one of the possible reasons that the Khokhas were established by educated and young entrepreneurs from high-income households. Contrary to this, the khokhas in Lahore, Swat and Peshawar were mostly run by people with low-income. They did not have much money to invest.

Figure 4 Initial Investment Made to Start the Khokha in PKR



We found some relationship between the level of education and investment. We found that relatively more educated vendors had capital-intensive setups as compared to illiterate vendors. Figure 5 shows that vendors with 12 and 14 years of education had almost the same level of investment. However, vendors with 16 years and above education had invested more. Such investment amount reached PKR 2 million. Two respondents reported that their total investment for setting up the business was around PKR 2 million. However, both were from Islamabad. One of them was running a food truck, while the other was running a khokha inside a park with a variety of food items.²⁴

Figure 5 Amount Invested to Start Khokha by Vendors with Intermediate and Above Education

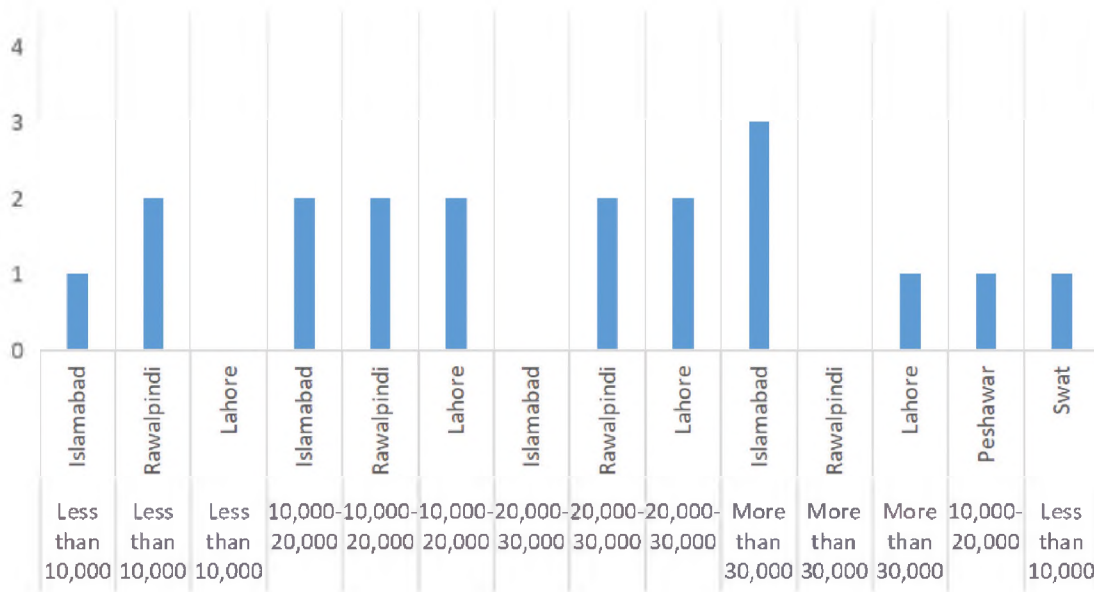


²⁴ A similar relationship might be done for investment and income/profit but we lack data for doing such analysis

Our findings reveal that khokha vendors in Islamabad and Rawalpindi employed some workers. However, in other cities this trend was weak. Most of the khokha owners in Peshawar and Swat did not employ any extra workers. But in Islamabad and Rawalpindi, some owners even employed more than four workers. This shows that the khokha business was more profitable in Islamabad and Rawalpindi, thus generating more employment opportunities for the common man.

It is pertinent to mention that most of these khokhas owners provided salaries to workers per the minimum wage law. Only three khokhas paid wages less than PKR 10,000 per month but others paid about PKR 15,000 per month, a figure close to the minimum wage. The highest wage was PKR35,000, paid by the food truck owners.

Figure 6 Per Month Wages of Workers



Behavioural Support and Barriers from Friends and Family

Entering and running a business also requires moral, physical, and financial support from family and friends. In this study, we also asked some questions related to the behavioural barriers to running khokhas. Our questions included the support received from friends and family in the initiation and operation of the khokha. Furthermore, we also inquired about how cooperative or non-cooperative the local retailers were. We found that in a few cases, family and friends helped the khokha owners without taking any reward. Mostly in Peshawar and Swat, but even in Rawalpindi and Islamabad, a few khokha owners reported that unpaid family and friends' support for cooking food and washing dishes was a big help in their operations. A food truck located in Scheme 3 of Rawalpindi, with the owner from Skardu, stated that “my friends supported me a lot morally. Also, they helped me with the kitchen work as well for free. One of my cousins also helped me in the kitchen work for full time, for free”.

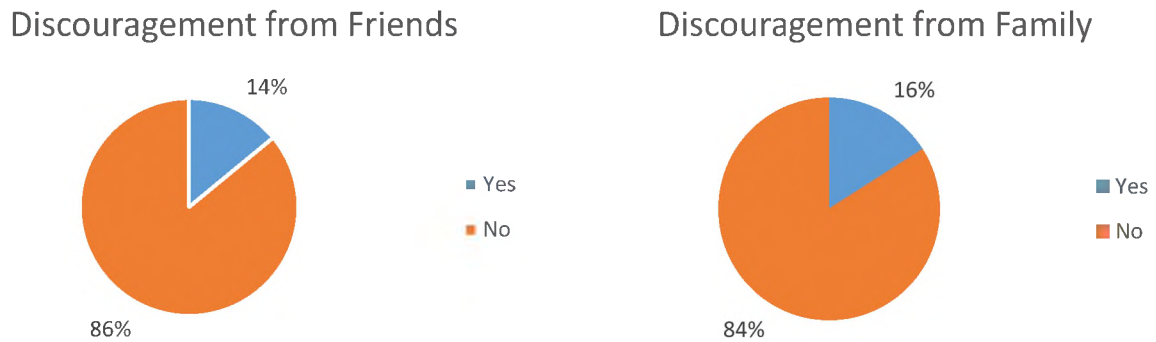
In this study, we did not find any behavioural issues posed by the families of the khokha owners. Rather, a majority mentioned that they received great moral and physical support and encouragement from friends and family members. However, a few faced discouragement from friends and family members. A few of the respondents even reported that they kept their family uninformed about their khokha due to the fear of discouragement. Support from friends and family is a major behavioural tool in encouraging and motivating entrepreneurs to establish such small setups, which also influences career choices (Henderson and Robertson, 2000). While a small number of respondents stated that they had support from local authorities or local influential people which was an incentive to enter this market.

A female food khokha owner in Islamabad mentioned that “my friends and community were quite helpful. My mentor, too, did an excellent job. Apart from relatives and family, a large number of volunteers showed up and

assisted me since people were aware that I was running this cart for social welfare”.

A burger stall owner in Islamabad reported that *“My friends supported me a lot. I have a very huge social circle. 70 per cent of the success is gained through my social circle and social media posts regarding my kiosk. My friend, who was doing the same business, helped me in the establishment of this kiosk. He made the whole strategy and then he asked me to run my kiosk on my own so that I could learn the business strategy better.”*

Figure 7 Discouragement from Friends and Family-Total Sample



Around 70 per cent of the respondents claimed that they opened khokha to supplement household income. However, two of the respondents mentioned that they were doing it due to passion or a sense of achievement. Literature suggests that major reasons for setting up khokhas are unemployment, economic recession, and the absence of alternative opportunities for earning money [Kusakbe, 2006; Walsh, 2010]. Our work support such findings as we found that most were doing it full time and considered it a better opportunity for earning a livelihood than available options with relatively low investments.

When asked about the reason for setting up the khokha, a khokha owner in Islamabad replied *“It was my lifelong dream to do some creative type of thing and I am not a 9 to 5 kind of a person. Secondly, if I had opted for a job field, I would not have been able to earn good money, save, and make something big like property”.*

A food truck business owner who had employed deaf and dumb staff commented that *“I did not open it for myself; the goal was to provide job opportunities for deaf individuals. I don't take money from my business. I intended to make a social impact with this strategy by giving possibilities to deaf persons who are frequently exploited”.*

Another food cart owner from Lahore stated that *“We wanted to create a street food brand that does not compromise on hygiene and provides clean food at a slightly higher rate than other khokhas”.*

A few khokha owners believe that setting up a khokha is a relatively low-risk business and lessons learnt are helpful for future expansions into formal setup. A burger cart owner in Islamabad stated that *“Food cart is a low-risk work. You can start with a small investment and once you get a good experience, you can move to a better model, so by taking low risk (in terms of a small food cart) you can learn and plan better for your future business growth. Also, in the food cart business if you make a loss you can cover this loss by doing various jobs for two or three months whereas if you invest a large amount in restaurants or cafes you would have to bear a huge loss if your business did not go well”.*

Figure 8 Reasons for setting up the khokha-Total Sample

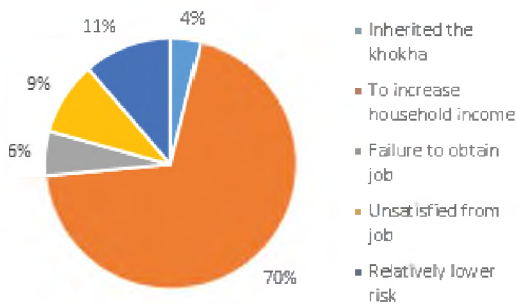


Figure 9 Nature of Khokha Owner-Total Sample

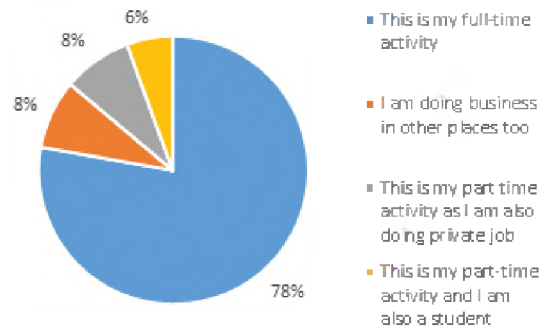
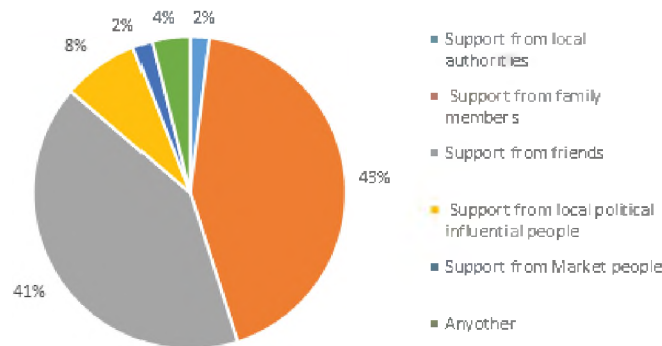


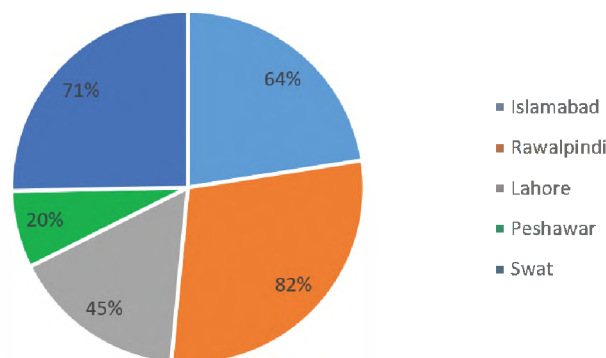
Figure 10 Main Support in Starting the Khokha



Land and Rental Barriers for Khokha Owners resulting in harassment

Harassment from public authorities remains a major barrier to entry into the khokhas across Pakistan. Harassment is directly linked with access to land as, legally, khokhas do not have any legal access to land, which, in turn, results in harassment from public authorities. An insightful piece of information that came up during our interviews was that khokhas owners have to pay high rents to the owners of the shops if they are operating in front of their shops. In our sample, about 82 per cent of the khokhas in Rawalpindi paid rent to the shop owners compared with 20 per cent of the khokhas in Peshawar mainly due to empathy and brotherhood from shop owners in Peshawar. Likewise, the khokhas in Lahore and Swat also pay rent. We found that about 55 per cent of the respondents in Lahore and 36 per cent in Islamabad did not pay any rent as they were operating on footpaths, streets, or parking lots.

Figure 11 Percentage of Khokha Owners Paying Rent



We found that 80 per cent of the sampled khokhas in Peshawar did not pay rent. However, those who did, paid on average PKR 40,000, which is almost PKR, 6000 higher than in Islamabad and Lahore. We found that the khokhas in Swat paid relatively lower rent, on average. Further, as shown in Table 2, the khokhas operated almost all around the week. mostly working 10 hours a day.

On average, the khokhas in our sample across Pakistan generated PKR116,000 in monthly revenue, while Khokhas in Islamabad generated the highest revenue. We found that a couple of khokha earned PKR 500,000 per month. However, they were the ones with relatively very high capital expenditures. Moreover, the sampled khokhas in Peshawar made the lowest revenue followed by Swat.

The rents are high because there exists no formal market for the khokhas. Shop owners allow khokhas to set up businesses in front of their shops at the cost of a hindrance for its customers as it blocks the entrance. However, the rents are still much lower than the shop rents in the respective markets and for low-income entrepreneurs, it is a relatively low-cost substitute to run a khokha rather than run a shop. We found no evidence of rents hindering khokha owners to continue their operations. Usually, in markets where they pay high rents, their average revenue and customers are also higher. Some respondents even mentioned that their customers were twice as many as the customers of the shop located at the back of their khokhas.

Table 2 Average Khokha Operations Analysis

	Islamabad			Rawalpindi			Lahore			Peshawar			Swat		
	Min	Max	Avg	Min	Max	Avg	Min	Max	Avg	Min	Max	Avg	Min	Max	Avg
Monthly Rent	2,500	80,000	33,300	5,000	50,000	24,500	18,000	70,000	34,000	30,000	50,000	40,000	5,000	24,000	15,000
Daily Working Hours	8	12	10	8	12	10	8	12	10	8	12	10	8	12	10
Working Days	6	7	6	6	7	6	6	7	6	6	7	6	6	7	6
Monthly Revenue	100,000	500,000	128,000	6,000	20,000	125,000	60,000	300,000	137,000	60,000	200,000	92,000	80,000	150,000	100,000

We found that 42 of the khokhas owners never applied for any kind of permit as shown in Figure 2. Although there exists no legal cover for khokhas, the purpose of this question was to understand any sort of effort made by the owners to obtain some kind of permission from any relevant authority. Only eight per cent of the khokha owners stated that they had obtained a permit of some sort from the administration. However, this permit was not a license, but rather some reference letter from a high-up that could be shown to the city administrators in case of a raid. For instance, a letter from the director general of the Parks Authority stating that the vendor was allowed to park her food truck on the premises of a public park. On the other hand, only four per cent of the khokha owners claimed that due to the backing of local authorities, they did not require any licensing. Those who paid rent were of the view that they were only responsible to pay the rent and the owner of the land was responsible for the legal status of the khokha.

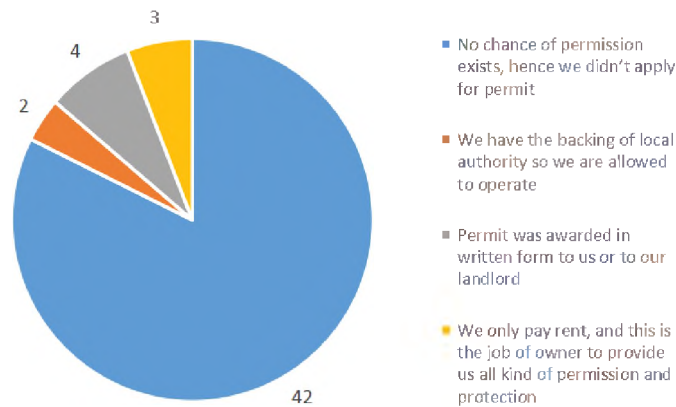
One of the licensees from Islamabad who was a disabled person, narrated his story of obtaining a permit designed only for disabled persons as “CDA allotted me permit on a humanitarian basis. The CDA has a clause for special children. It was easy for us to get the permit with the help of references and the clause. At that time, PML-N was in power, and Sheikh Arshad Aziz was the mayor, who made operating khokhas easier for us. But when PTI came to the power, we had to apply for a license seeking relaxations for disabled persons. And we got it through references and links in the CDA. I paid PKR 15,000 to the CDA for two months after getting this permit. But as soon as I got to know that we had the relaxation due to the special children clause, we stopped paying the rent”.

A female food truck owner in Islamabad even approached the First Lady of Pakistan but was still unable to get a permit. She narrated the process in these words “Lately, someone connected me to the President's House, where I met with the first lady. She gave me the approval to operate the cart. Now I am fighting my case with the CDA with the help of the President House but still, they are not helping me. I have applied for a license, but there is a delay by

the CDA officials. They kept on coming up with various reasons for not granting the license. One day, the SHO of our area visited me and gave me his number so that I could complain to him about police visits. It is better since then”.

Another female entrepreneur from Lahore who just started the food truck a week before our interview claimed about her connections in these words “My food truck is parked on the premises of a public park. I also collaborate with my uncle online (who is building a cancer care hospital). Therefore, I have a lot of PR and connections with the police chief. I contacted my uncle and told him about the event; he promised to do something the next day. He raised my matter with the police chief, who then called me and sent me to the Parks and Horticulture Authority (PHA), so we could work comfortably there without being disturbed. The PHA issued me a formal permit. However, they did not charge me any fees because I had a reference. After that, no one came to me from the administration.”

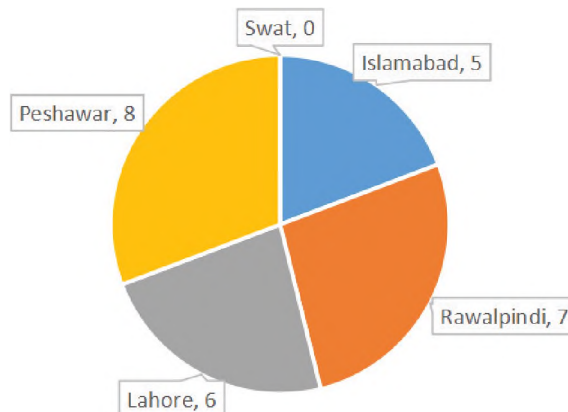
Figure 12 Legal Status of Khokha



As the khokhas do not have any legal access to land, our study also found an excessive level of harassment from the officials of various agencies in almost every surveyed city. We found that the khokhas owners in Peshawar faced the most harassment from the administration followed by Rawalpindi. Figure 13 shows that eight out of ten khokhas in Peshawar reported that they were regularly harassed by the Cantonment Board officials (Saddar market in Peshawar comes under the jurisdiction of Peshawar Cantonment Board). Similarly, seven out of 11 khokhas interviewed in Rawalpindi stated that they were harassed by the Municipal Committee and the Cantonment Board. On the other hand, five khokha owners in Islamabad faced regular harassment. In Swat, none of the khokha owners reported any kind of harassment.

In Islamabad, we found that khokhas that are run in posh sectors such as F6 and F7 complained more about harassment, whereas the khokhas operating in G8, G9, and Bara Kahu reported less harassment. A major reason behind this as stated by the respondents and a CDA official was that the CDA is more concerned about the aesthetics of posh sectors because most of the government officials reside in those areas.

Figure 13 Facing Harassment from Local Administration



Types of Harassment

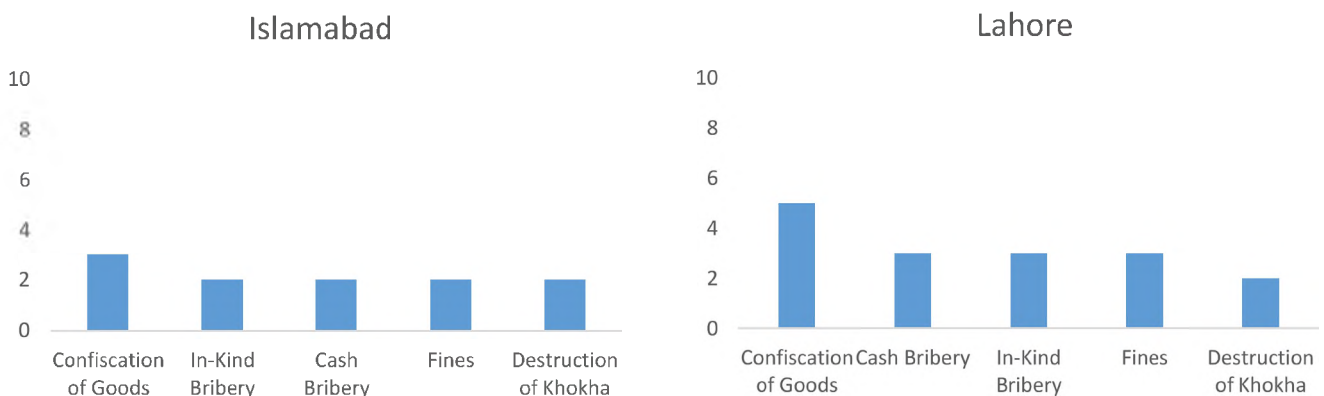
Confiscation of goods and fines by the city administration were the most common types of harassment faced by khokha owners across all four cities. In every city except Swat (whose khokha owners did not face any kind of harassment), confiscation of the goods was the most reported harassment. The municipal administration and cantonment boards raided and confiscated the carts as well as the goods of vendors. While during the returning process, carts were damaged and a lot of goods were not returned. Moreover, to take back the cart and the stuff, vendors had to pay fines ranging between PKR 1,000 and PKR 2,000.

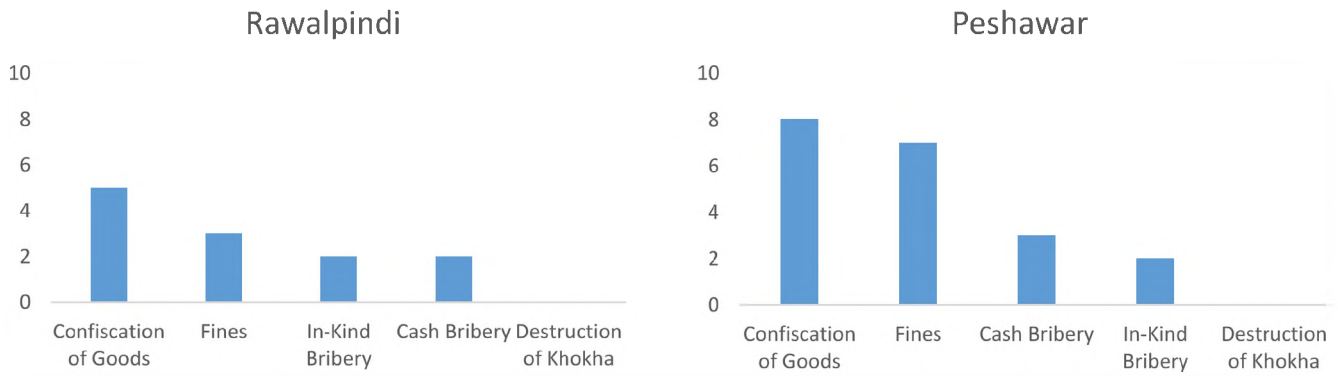
In all four cities, some khokha owners paid cash bribes to the official authorities regularly. Most of the respondents claimed that they did not get any receipt for the fines they paid in cash to the authorities. Figure 14 shows that owners of khokha in Rawalpindi and Islamabad paid in-kind bribery. This included free food or free stuff to the traffic police, city police and/or municipal authorities.

The harassment of small vendors was not limited to enforcement inspectors but can go to the level of assistant commissioners. A food cart owner from Lahore stated his misery of confiscation by the local administration in these words *“One year ago when I was new in this business, I saw that the assistant commissioner’s personal assistant came into the area where I had parked my cart and saw him demolish the carts in the vicinity. He grabbed their belongings and threw the food they were selling and their belongings on the road. Later, I messaged the AC on WhatsApp to express my anger toward his PA. After this, the assistant commissioner developed a grudge against me. One day, he dispatched a few individuals to capture my cart. They not only captured my cart but also captured one of my employees. They thrashed him and threw him in jail. The employee was released after a day or two on bail, but my cart was not returned for another two months. I kept going to the AC’s office, but he insisted on not returning my cart. Apart from that, they ate all the food I had in my cart and destroyed my cart’s entire setup and crockery, which cost me PKR 12,000. Since the assistant commissioner refused to return my cart, I went to the deputy commissioner. He made me submit an application but even then, the AC did not release my cart. I went back to the deputy commissioner. He then called the AC to his office after which he released my cart (after 15 days), with an apology letter written by me”.*

Another food cart owner from Lahore discussed various kinds of harassment from multiple agencies in these words *“People from the municipal committee and LDA had been a source of trouble. They used to come and complain that our food cart was on the roadside. We used to offer them free food so that they would leave away and stop bugging us. Apart from these officials, traffic cops have been a nuisance but they never demanded money or food. The municipal administration used to demand that we pay rent for the food cart board advertising. After that, we asked the landowner to resolve the situation. Then, once I came across an imposter, who came in an official car to harass me and threatened me to remove my cart without revealing his identification”.*

Figure 14 Nature of Harassment Faced (Y-Axis shows the number of cases)





Cash bribe is most prevalent in Peshawar, where 7 out of 10 khokhas paid a monthly bribe of around PKR 5,000, whereas monthly bribes in Islamabad were as high as PKR 50,000. Even though the cash bribe is less in Islamabad but those who did pay paid a higher bribe. In Rawalpindi, we found that no khokha owner paid more than PKR 5000 in monthly bribes. In Lahore, a majority did not pay any cash bribe but four of them paid between PKR 2,000 and 5,000 per month. In Swat, none of the khokha owners paid any sort of cash bribe.

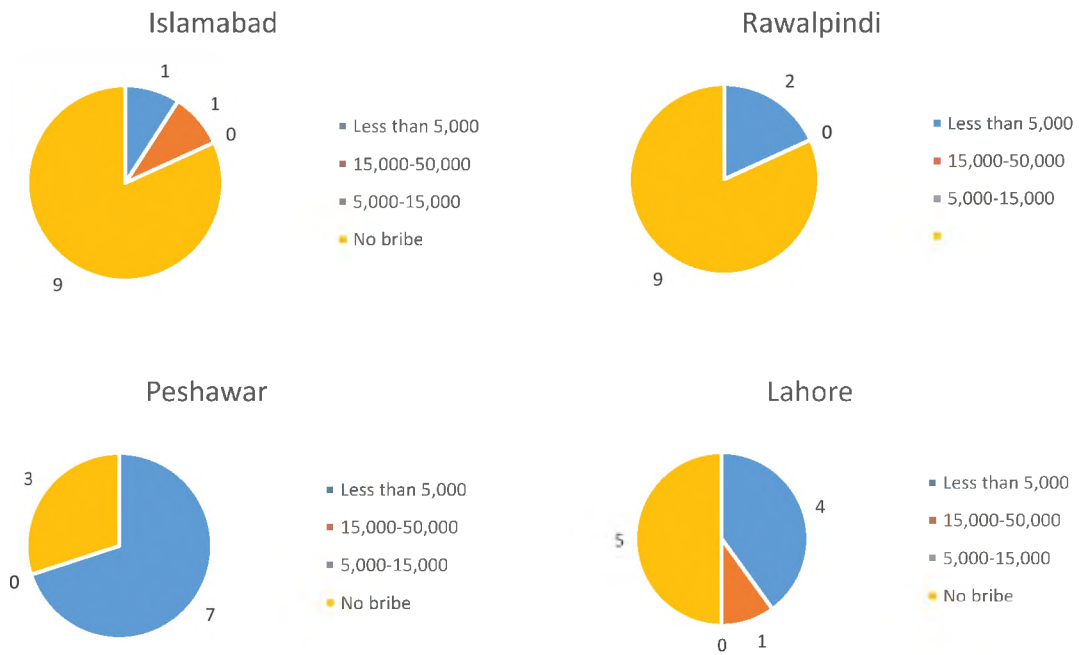
A small ice cream seller in Lahore stated that *“People from the Lahore Development Authority (LDA) come every week and ask for money. If we give them money, they don’t take away our carts, we have to give PKR 500 to PKR 1,000 every week, so they don’t take our carts away”*.

Few khokha owners reported that they were not harassed, because they either operated after working hours or had a setup at locations not frequently visited by the authorities. In the case of Islamabad, a few respondents reported that officials from CDA did not generally raid after office hours. Similarly, some were of the view that they did not bother about non-posh sectors and rarely raided there.

Not paying any bribe does not imply any harassment because officials harass through other means if their demands are not met. For instance, a food truck owner from Islamabad reported her woes in these words *“The CDA caused me a lot of problems; they used to come in and complain about various things, and they frequently confiscated my cart. I applied for a license, but they kept delaying with the excuse that they were working on their policies and would grant me a license once the policies were finalized. A lot of people from the CDA offered me to get my license by paying a bribe, but I never paid a single penny as I am a very resilient person in terms of not giving a bribe as it’s against my principles. They used to come seeking free food, which my team members typically refused to provide”*.

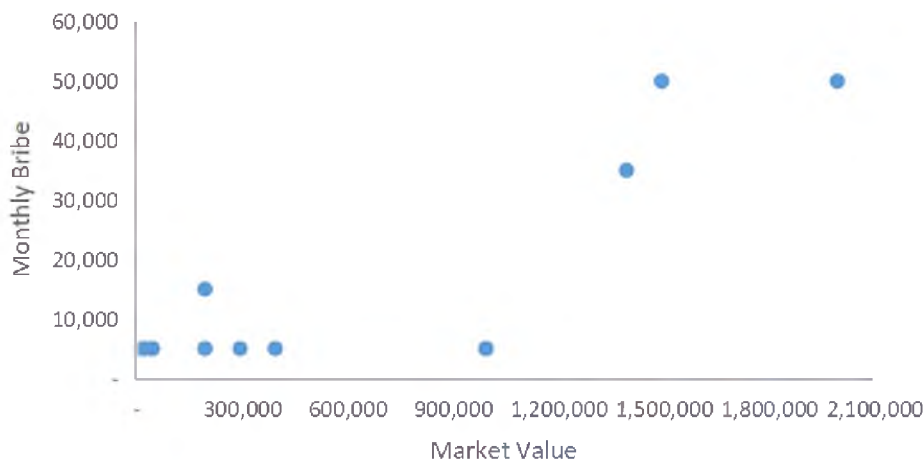
Another respondent who had a khokha at a prime location in Islamabad narrated *“we faced a lot of problems at the hand of the CDA. Although, they had no legitimate reason to demolish our khokha as we had legally subleased land, even then they used to take our furniture and destroy our outdoor setup made up of wooden bars and shields. Also, we never paid any kind of bribe. However, in order to secure our food setup, we applied for legal backing. Still, our khokha was demolished two times, for which we bore a huge loss. They didn’t demolish the solid structure as it was legal and built by the CDA. However, they demolished the temporary shades, tents, and chairs, which collectively resulted in a loss of around PKR 2– PKR 3 lacs. In addition, there were other factors which added up to the loss, i.e., the whole business was stalled for 2 months as we were busy reconstructing the demolished area, but the expenses included the salaries of employees and the cost of reconstruction. The total loss crossed PKR 5.5–PKR6 lacs. We didn’t settle this thing under the table; instead, we applied for legal backing, which is why we had to face problems more often”*.

Figure 15 Monthly Cash Bribes Across 4 cities



Monthly cash bribes are directly proportional to the market value of the khokha. We found that the market value of a khokha, as stated by the owner, was directly proportional to the monthly bribes they had to pay as shown in Figure 16. This was true for all cities except Swat. In general, when a khokha had invested a significant amount on the setup or was located at a commercially attractive place, the city administration officials tended to demand higher bribes from them.

Figure 16 Market Value of Khokha and Monthly Bribes



On average carts remained confiscated for two days per month. Owners bore an average loss of PKR 1,000 to PKR 10,000 for each confiscation. Confiscation of the cart resulted in various kinds of losses such as:

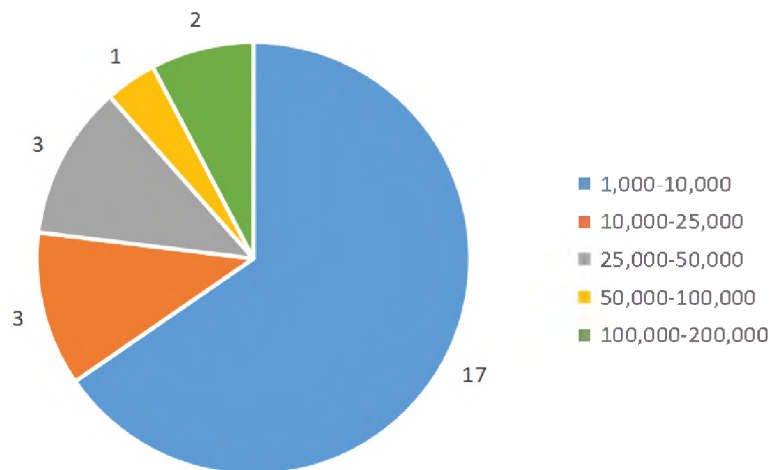
- Damage to cart
- Goods lost or stolen

- No sales during the confiscation period
- Legal expenditures on bail (as many vendors get arrested during raids)

The khokhas with a large setup had to face losses reaching PKR 100,000–PKR 200,00 as the confiscation or sealing of the khokhas, in some cases, prolonged to a month. Three of the khokha owners estimated that the loss for each confiscation ranged between PKR 25,000 and PKR 50,000 (See figure 17).

A clothing khokha stall owner in one of the markets of Islamabad mentioned his fear of confiscation by the CDA officials in these words “CDA officials have been very strict with all of us at times, making it impossible for us to set up our stalls. No one can open the stall. We have to sit and wait for them to go. For one month, I had to suffer a daily loss of PKR 1,500–PKR 2,000 in sales. We could only set up our stalls for an hour in a day after they left”. Peshawar was the city where Khokha owners were arrested the most along with the confiscation of the carts, while in other cities, only the cart was confiscated or thrashed. The khokha owners in Peshawar had to face an additional kind of harassment in the form of arrest. More importantly, they were usually arrested by the traffic police for the violation of traffic rules and not by the city police. Vendors were then mostly released after a day when they submitted a fine of around PKR 1,000 to PKR 2,000.

Figure 17 Average Monetary Loss in Each Confiscation-Total Sample



The khokha owners in Peshawar paid the highest bribe (PKR 9,200 per month), while khokhas in Islamabad paid about PKR 9,400 for the release of the confiscated carts. In Islamabad, large khokhas had to pay as much as PKR 50,000 in monthly bribes, while the average bribe was PKR 5,000. In Peshawar, khokha owners had to pay, on average, PKR 9200 in bribes plus PKR, 6750 in confiscation losses. In estimating confiscation losses, we added fine payments, legal expenses incurred on bail, damage caused to the cart, goods stolen during confiscations, and the loss of sales during the period the cart was confiscated. Moreover, as shown in Table 3, the cart remained confiscated for on average two days every month for almost every khokha.

On average, about 1 per cent of the monthly revenue generated by the khokhas in Peshawar went to bribes and confiscation fines/losses — the highest across five cities. As shown in Table 2, the khokhas in Peshawar had to bear the highest economic losses due to the absence of any legal status. Moreover, the khokhas in Islamabad also, on average, lost 12 per cent of their monthly revenues in economic leakages, i.e., bribes and confiscation losses. The lowest share of revenues going into leakages was for Rawalpindi, i.e., five per cent followed by Lahore at eight per cent.

Table 3 Average Monthly Economic Leakages

	Islamabad			Rawalpindi			Lahore			Peshawar		
	Min	Max	Avg	Min	Max	Avg	Min	Max	Avg	Min	Max	Avg
Bribe	1,000	50,000	5,500	300	3,000	1,300	1,000	6,000	3,200	2,000	33,000	9,200
Confiscation Loss	10,000	25,000	9,400	3,000	8,000	5,000	4,000	15,000	8,700	1,000	20,000	6,750
Days Stuff Remain Confiscated after a Raid	2	5	3	1	3	2	1	3	2	1	3	2
Monthly Revenue	100,000	500,000	128,000	6,000	20,000	125,000	60,000	300,000	137,000	60,000	200,000	92,000
Monthly Proportion of Avg Revenue Going into Bribe/Losses	-	-	12%	-	-	5%	-	-	8%	-	-	17%

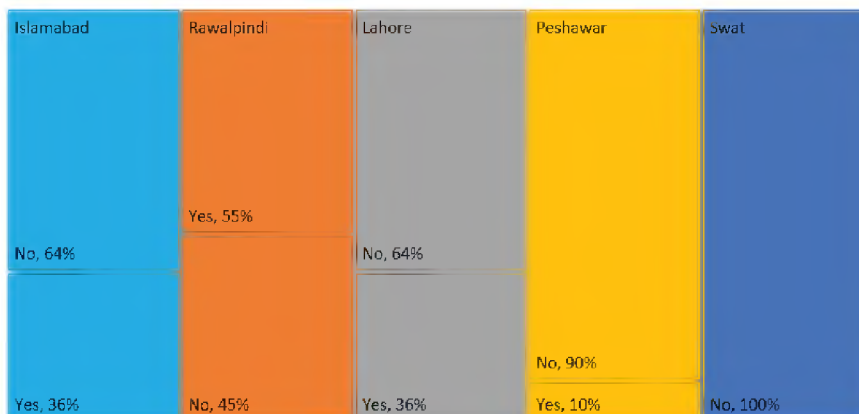
Behavioural Barriers Caused by Big Retailers

Retailers generally did not create much hassle in Peshawar and Swat, but retailers did harass the khokha owners in the cities of Punjab. We found that retailers in Islamabad, Lahore, and Rawalpindi sometimes created hurdles for the khokhas. Normally, the harassment took the form of threats to evict the land, pressure from the market union for eviction, collaborating with the city administration for the eviction, or complaining to police/authorities about blocked access.

In Islamabad, even multinational fast-food chains were involved in harassing the food carts as they considered carts as competitors and cheap alternatives to their products for consumers. One of the respondents reported his story of harassment from a fast-food chain in these words *“In the beginning, when we started testing, we placed my food cart in the I-8 sector and faced trouble at the hand of nearby retailers. One day, a person from KFC came to our cart to test our food. Later he complained to the market chairman about us. The market chairman then instructed us to move our cart out of the way. Later, when we moved to F-7, where the local union head here was courteous to us and did not trouble us at all”*.

Another food truck owner in the Rawalpindi Cantonment area complained about the behaviour of restaurants by narrating *“Market restaurants bothered me a lot as my food rates were lower than theirs. Hence, they used to ask me to increase my food rates as most of their customers were coming to me because of cheap rates. Also, many restaurants complained about me to the cantonment board, due to which they would come and ask me to remove my cart”*.

Figure 18 Percentage of Retailers Creating Hurdles for Khokhas across 5 cities



Khokha Owners Planning to Exit from the Market

We found that 21 khokha owners planned to exit from the market and one-third of them quoted uncertainty of their legal status as the major reason. We found that the mental stress and agony caused by the uncertainty of the legal framework and continuous harassment by the authorities were the main reasons behind vendors thinking to exit. In the total sample, 20 respondents mentioned uncertainty due to the absence of any legal framework for khokhas as the prime reason to exit. Seven respondents out of the total sample stated that bribes consumed a considerable share of their income, making their businesses unprofitable to continue operating. The findings are true for all the cities except Swat where vendors were generally happy with the status quo and do not feel any need to exit.

The majority of vendors planning to quit cited legal barriers, while a few quoted discouraging behaviour of customers and market people as the primary factor. Here, we assume that a vendor who is planning to exit due to legal barriers will be a discouragement for other entrepreneurs planning to enter the market. Hence, this chain effect will result in entrepreneurs abstaining from setting up a khokha. A food cart vendor, who plans to quit, stated the reason as *“The absence of a legal framework, harassment by official authorities, and the weather uncertainty are all serious problems that can prevent one from continuing their khokha business”*.

Another barbecue khokha owner in a low-income neighbourhood of Lahore stated his reason for possible exit in these words *“LDA visits once and sometimes twice a month and we’ve to appear before the magistrate, apologise, and pay a fine every time to get it back. Officers do not care about anything; they take the cart every time and we don’t have any other option except to pay the fine. We suffer a loss in business and additional fine costs to bring the cart back. We are very disturbed mentally due to all this”*. A hosiery cart seller at Mall Road, Lahore, states his misery as *“The LDA doesn’t ask for money because some time ago they came but someone complained against them. So now they don’t ask for money, but they have become even stricter. Now, one relaxation is that they do not take the stock of the products we sell but only take the stand. If you want to save your stand you need to run fast so that you don’t get caught by the LDA officials. Now I plan to sell all my stuff and end this business.”*

Figure 7 Thinking to Exit -Total Sample

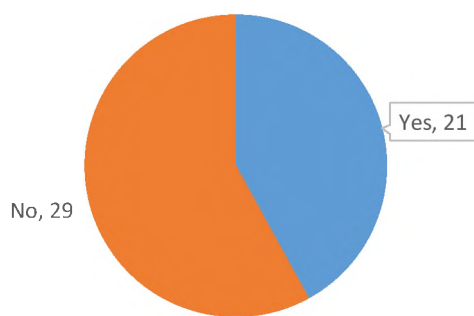
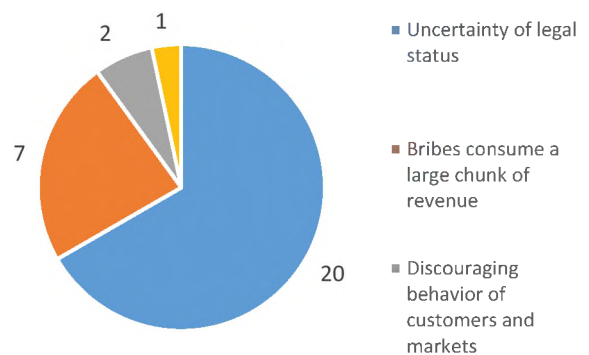


Figure 8 Reasons for Possible Exit -Total Sample



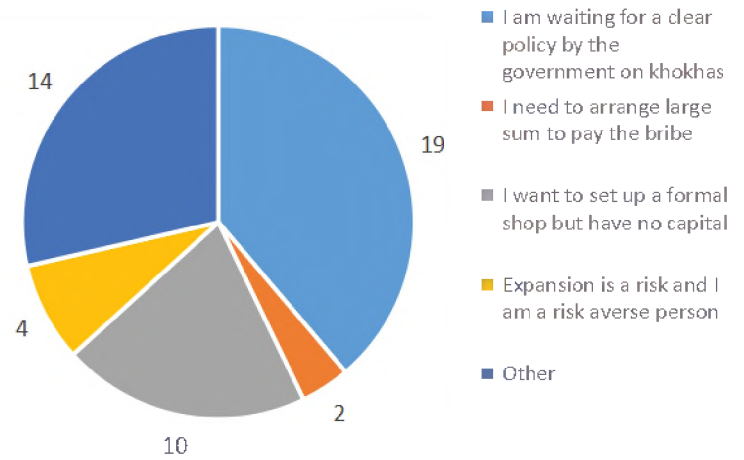
Khokha Owners Planning to Expand

Half of the khokha owners were willing and planning to expand their business and 19 of them were waiting for a clear policy from the government regarding the khokhas. Expanding the business can be taken as a proxy for entering the market. This is because expansion refers to setting up a new khokha. We found that although the majority were willing to expand, the major hurdle was the unavailability of a legal framework that can give them legal status. Moreover, 10 respondents stated that they planned to open a formal business, but the unavailability of capital was a major hurdle in the expansion. Also, about eight per cent were of the view that expansion was risky, implying that they are risk averse.

Figure 19 Thinking to Expand -Total Sample



Figure 20 Challenges Faced in Expansion -Total Sample

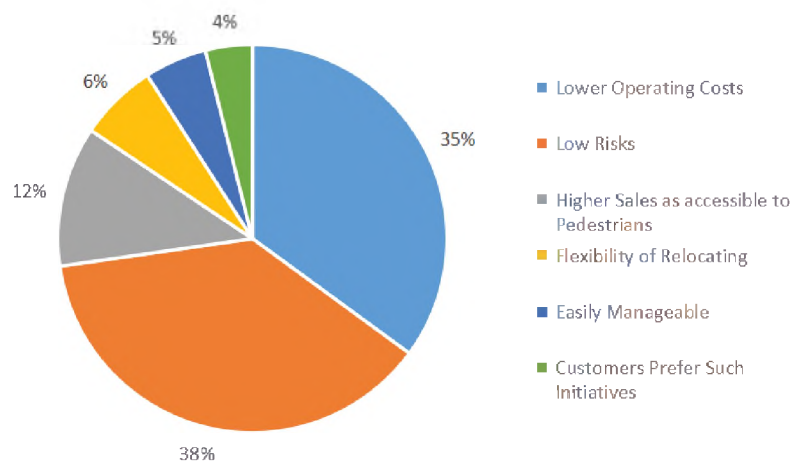


Advantages of Khokha Over a Shop

More than one-third of the khokha owners perceived a khokha to be a business with relatively lower risk and another one-third perceived lower operating costs as the major benefit of khokhas over shops. When we asked the respondents about what were the perceived benefits of continuing to operate in the informal setup, many were of the view that the operating costs such as rents and utilities were very low or non-existent for khokhas. A few of the respondents also stated that the flexibility of a khokha was a major benefit as the cart can be relocated to other areas if business shrinks in one locality. Similarly, about 12 per cent of the respondents claimed that they had relatively higher sales than the shops because pedestrians purchased from them while walking even when they come without any intention of purchasing anything (see Figure 21).

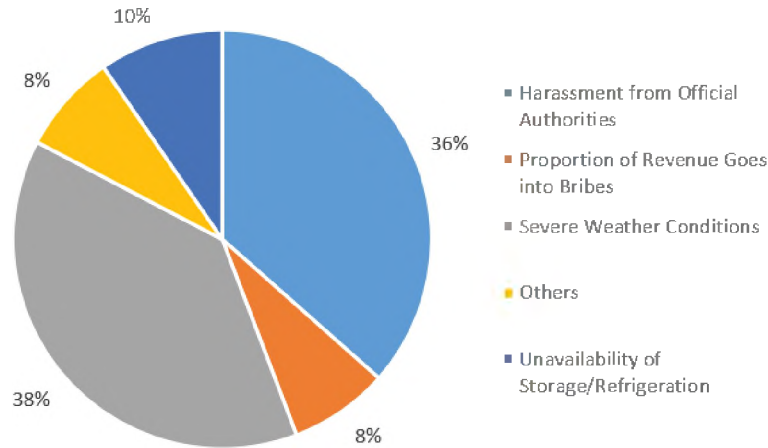
A khokha owner from Lahore shared his view on this *“I believe, people with limited purchasing power, are the target group for potential khokha entrepreneurs. Rents and operational costs of (non-permanent establishments) are not as large as those for stores. Also, I've noticed that, due to its proximity to people, it can easily attract more buyers in comparison to shops. In addition, unlike shops, a khokha is mobile and can be relocated to any location depending on the situation. In my opinion, a khokha can easily attract customers due to its proximity to customers, as most people do not stop by shops to buy food because they are in a rush. However, they do stop at a khokha because it is convenient to buy food while still in an automobile”.*

Figure 21 Benefits of Khokha over Shops -Total Sample



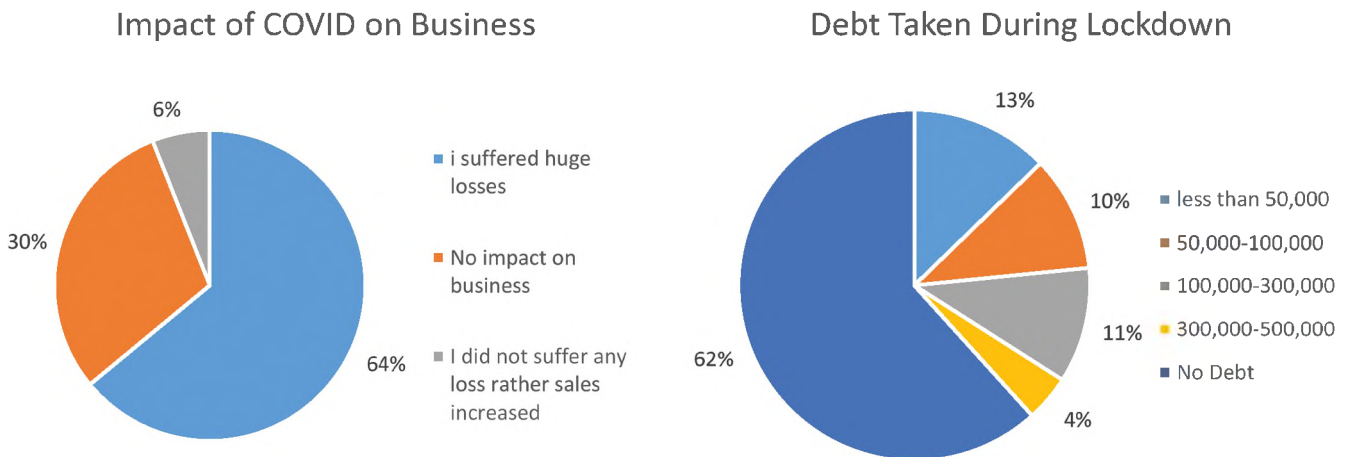
The harassment from official authorities and the proportion of revenues going into bribes is the major disadvantage of running khokha against operating a formal business. Respondents were tired of continuous harassment and wanted to leave the market mainly due to harassment and bribery issues. Around 38 per cent of the khokha owners stated that their major trouble was operating in severe weather conditions, as most of them operated in direct sunlight without any shade.

Figure 22 Disadvantages of Khokha over Shops-Total Sample



COVID-19 also adversely hit the khokhas as 64 per cent of them suffered huge losses and a few took on debt of approximately PKR 50,000 during the lockdown. The informal economy is a highly vulnerable economy and the lockdown during COVID-19 negatively impacted the sales of the majority of the khokhas. However, about 30 per cent still reported that their business did not close and they kept operating. Food trucks and food carts did not fall under the list of closed businesses during the lockdown. Moreover, a small minority of respondents even claimed that their sales during the lockdown increased as markets were closed, and customers started purchasing from them. Overall, the khokhas were found to be an alternative to the markets and more accessible during such epidemics and pandemics.

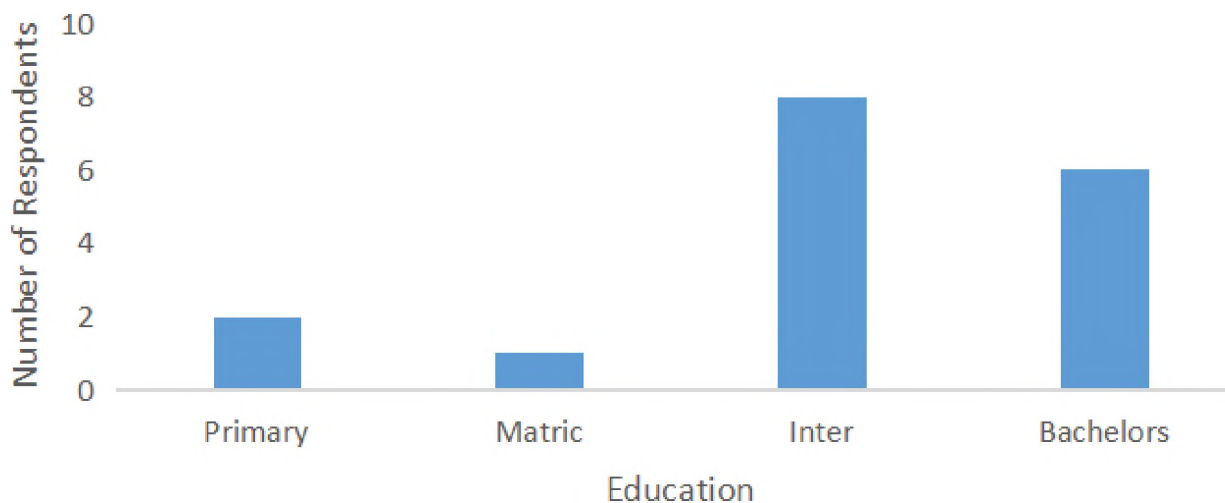
Figure 23 Impact of COVID-19 on Khokha Business



Education Of Khokha Owners and Risk Appetite

Higher education may make an entrepreneur more risk averse. The respondents who stated that they deemed the low risk of the khokhas as the major benefit of such a business were generally the ones with high years of schooling. As shown in Figure 24, the highest number of respondents who mentioned this reason had intermediate (12 years of schooling), while the second highest were the ones with a bachelor's degree (16 years of education). On the contrary, very few respondents with primary education (5 years of schooling) and matric (10 years of schooling) cited low risk as a benefit of khokha. It is important to mention that our sample only included those who had established a khokha, which excluded those who have never entered this market. This relationship may also be true for those who never entered the market. Thus, we may assume that education makes a person risk averse, and higher education may also serve as a behavioural barrier towards entry to the khokha market.

Figure 24 Education and Risk Aversion



5. CONCLUSION

Street vending or the khokha business is a part of a vibrant city economy. The street economy is regularized, taxed, and allowed to operate competitively. However, the street economy in Pakistan is discouraged due to the absence of any legal framework. Most of the khokha owners work illegally, because of which they face harassment from the city's civil administration in the shape of regular raids, forced closures, bribery, and the confiscation of carts and goods. In Pakistan, there is no legislation at the federal or provincial level for the street economy, due to which there exists no mechanism for issuing licenses. This makes the whole street economy unorganized, giving rise to various issues for the local and city administration, such as congestion, traffic jams, and the obstruction of roads sides, and pathways. All entrepreneurs who desire to establish khokhas enter the street economy risking losses in the form of confiscation and bribes. Islamabad is the only city in Pakistan that has framed any policy for khokha owners. However, instead of making such a policy a model for the rest of the country, there is a ban on issuing new licenses since 2011, and even the old licenses have been cancelled. There is a dire need for making regulations related to the street economy so that the ambiguity and uncertainty regarding khokhas may end.

Formalization of khokhas would mean having a safe and secure location for vending in the city. It would not only mean a registered business, but the city government will also earn fees and taxes. Moreover, entrepreneurs

would enjoy basic rights, such as the right to work and the right to earn without harassment and discrimination. Currently, wherever a vendor finds open and free space, they establish a khokha without any proper permission. This creates a threat to the general public as well as to vendors. Moreover, such an informal setting facilitates people of underground mafias to grab free spaces. Thus, such places are generally not secure and safe. In order to provide a secure place for vending, city planners need to identify public spaces for vendors.

There are examples of formalisation in the world where the focus is on imposing costs on street vendors. However, if the vendors do not benefit from formalisation, such formalisation cannot be sustainable over time. It is important to understand the following important points:

- If formalisation implies “moving off the streets” vendors would not earn sufficient income to pay the rent of the stall.
- If formalisation implies “registering the business” or “paying the taxes” vendors would have no reason to be formalised.

An initiative to formalise khokhas should consider the support mechanisms which will help the vendors to sustain income over a long period. This may include legal and secure access to attractive locations, better infrastructure at the vending locations, and effective protection from abuse of authority and harassment.

6. POLICY RECOMMENDATIONS

After a review of laws on street vending in India, the Philippines, and Thailand, we further investigated the legal frameworks of selected South and North American countries. After a careful review, the following set of policy recommendations from various street vending laws can be drawn for designing a comprehensive legal framework for the khokhas in Pakistan.

Vending Site Selection Authority: Before setting up a khokha, the foremost issue is the selection of a vending site. A few countries such as Peru, India, and the Philippines have established authorities at the market, ward, or zone level for identifying such sites. In Peru, the law defines vending-encouraged, vending-permissible, and no-vending sites. There can also be some flexibility in this regard. For example, in Quito, Ecuador, the law identifies nine locations for vending but allows the Municipal Allocation Committee to allow vending in other sites when it deems it feasible.²⁵ The Allocation Committee also includes three members from the vending association. In this way, inclusivity is ensured for such decisions. Per our findings, CDA Islamabad believes that since the khokhas damage the natural beauty of Islamabad in some places, it can preserve such places by earmarking them as no-vending zones. The site selection committee should have some representation from the khokha association so that a middle ground can be reached.

Identity Verification: Almost every country with a legal framework for khokhas requires the applicant to be at least 18 years of age, but in some countries, such as the Philippines, it is 21 years. In South Africa, licensing authorities are authorised to obtain the record from the South African police of any conviction of the license applicants²⁶. In Pakistan, the eligibility criteria for licenses should be a valid identity card, which should be enough for a background check for anyone who desires to set up a khokha in any city. A major reason behind the demolition of khokhas in Islamabad was the accusation that criminals had entered the khokha business. In this way, the state cannot come up with this reason again as an excuse for demolishing khokhas. If someone below the age of 18 wants to set up a khokha, they may be allowed to operate and get it registered on B-Form. This way, there will be a minimum exclusion of common people.

Fixed vs Mobile Vending: Islamabad and Lahore have accepted the concept of food trucks. Such food trucks are very common in New York, Singapore, Bangkok and other cities of the world. In Buenos Aires, separate permits are issued for mobile and fixed vendors, and each vendor is allowed to hold only one type of permit²⁷. In Sao Palo Brazil, there is a separate fee structure for mobile and fixed vendors. Brazil, there is a separate fee structure for mobile and fixed vendors.²⁸ It is important to legislate whether mobile vendors can operate at any location or

²⁵ Reglamento de Quito, supra note 65, Art. 7 & 9.

²⁶ Businesses Act, supra note 53, at (2)(5)(a)-(b).

²⁷ Buenos Aires Ley 1166, supra note 94, 11.1.9

²⁸ São Paulo Decreto 33.924, supra note 94, at Art. 11, 14.

should their mobility be restricted to a specific zone. Restrictions on mobile vendors can adversely affect them as they would like to cater to the needs of customers in different areas. However, restricted zones would benefit consumers as they will know where to find their favourite vendors every day. In any case, separate licenses for mobile and fixed vending can be a suitable approach.

Open vs Restricted Licensing: A major question that arises in any street vending framework is the upper limit on the issuance of licenses. Should there be an unlimited number of vending licenses or should the number be restricted? If restricted, should the restriction be at the city level or the neighbourhood level? For instance, in New York, the City Administrative Code has restricted the total number of food vendor licenses to 2900.²⁹ This has resulted in a waiting list of thousands and chances of obtaining a license for a new entrant remain bleak. In Philadelphia, each business neighbourhood has its own limit of vendors, ranging from three to 100.³⁰ Similarly, Hong Kong and Singapore also have licensing caps. An unlimited number of licenses can create overcrowding in the cities, occupying public spaces and cramping space for pedestrians. Therefore, the legal framework in Pakistan should come up with a reasonable cap on khokha licenses at the start, which should be revised at least once in three years as per the market needs and the number of applicants.

Registration with Health and Tax Departments: Many jurisdictions in Europe and North America require multiple licenses before authorization of work to street vendors. In New York, a vendor requires two licenses from the Department of Health, a food vending license, and a mobile cart license.³¹ Furthermore, all vendors in New York are required to be registered with the sales tax registration authority. This ensures that health and safety practices are being followed and well as the government is not deprived of revenue. As the Federal Board of Revenue (FBR), Pakistan, has also launched a drive to register small businesses with sales tax, the registration of street vendors can also be a beneficial step. However, the government can devise a reduce discounted sales tax policy for the street vendors because of the nature of their customers, who are mostly from lower income stratum.

Transparency and Accountability: The licensing authority should have minimal discretion to grant the licenses. In CDA 1986 policy, a 20 per cent quota was under the discretion of the CDA board. Discretion is against the rules of transparency and fairness. In South Africa, business laws state that a license must be granted to the applicant unless they fail to fulfil the requirement.³² However, even in such cases, the authority can deny licenses by changing the requirements from time to time. In some cases, higher discretion can allow flexibility in rules that may result in a greater number of licenses. Therefore, to safeguard the rights of the vendors, the applicants and license holders should be given the right to challenge the verdict of the authority as is the case in South Africa.

Resale and Subletting: In most of the reviewed laws such as that of the Philippines, India, and Thailand, resale and subletting of licenses are strictly prohibited. This prohibition stems from the concept of fairness. Vending space is a scarce resource and should be distributed based on equity. In Islamabad, we found that few licensed khokha owners have subleased the khokha at very high rents, compared to the rent they used to pay to the CDA. In this way, the deserving poor people are exploited. This leads to market inefficiencies. There should be two exemptions allowed in this case. First, in case of death or permanent illness of the licensee, the license should be allowed to be transferred to the spouse or child. Second, the licensee should be allowed to employ a few assistants for help without obtaining any additional license. This will also generate employment. However, as is the case in Ireland, the licensee should be responsible for any violation even if it is committed by the assistant.

Prevention of Monopolization: Sometimes suppliers use vending licenses to extend their sales. For this purpose, the applicant should not be an employee of his supplier or should not be a registered small business. In Peru, the law prohibits individuals employed by suppliers or small businesses to apply for street vending

²⁹ Street Vending, available at http://www.nyc.gov/html/sbs/nycbiz/downloads/pdf/education-al/sector_guides/street_vending.pdf

³⁰ Philadelphia Code, 9-206(10).

³¹ Sidewalk Standoff: Street Vendor Regulations are Costly, Confusing, and Leave Many Disgruntled, (2010), p. 2.

³² Businesses Act, supra note 53, at (2)(4) and (2)(6)(a).

licenses.³³ In New York, in 1995 the city council voted for a 'one person-one permit.'³⁴ Such rules ensure that corporations do not exploit vending licenses by operating hundreds of stalls across major locations and paying the bare minimum to their employees. The one-person one-license rule can be practised in Pakistan as well, to benefit the most deserving individuals.

Provision of Services: The vendors require various services such as (i) solid waste disposal, (ii) toilets for maintaining cleanliness, (iii) electricity, (iv) warehouse and storage, (v) drinking water and (vi) signages and other facilities. In the Indian Street Vendor Act, all these services are supposed to be provided by the Town Vending Committee. It is important to note that if such services are self-financed from the fees paid by the vendors, vendors would have to pay a higher percentage of their income in fees and taxes. Moreover, it is also important to understand that the provision of services by a national authority may bring uniformity across all areas but services by a local authority can cater to local needs. However, the availability of funds with the local authorities has remained a major bottleneck in Pakistan. In this scenario, the case of Lima, Peru can serve as a good example. In Peru, a part of the fees paid by vendors is invested in a fund and the income is distributed amongst vendors as social security assistance. Further, the decision to use the fees collected from vendors for the provision of services rests with the municipal board, which has members from vendor associations. In this way, the voice of local vendors is also heard in the provision of services and the use of funds.

³³ Lima Ordenanza 002; Reglamento de Quito, supra note 65, art. 12

³⁴ Urban Justice, Street Vendors Unite!

Recommendations for Improving the Regulations on Street Vending in New York City, at 4, available at <http://www.urbanjustice.org/pdf/publications/VendorsUnite.pdf>.

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APPENDIX: QUESTIONNAIRE FOR THE KHOKHA OWNERS

RASTA PROJECT 01-037: This questionnaire aims to examine the role of the legal framework and behavioural attitude in facilitating business in the informal sector of khokhas

Personal Information

- Gender (M/F)
- Age
- Education in years
- Marital status (Married/Unmarried)
- Background (Rural/Urban)
- The overall experience of entrepreneurship over the years
- Experience of entrepreneurship in this place ((in years)
- Total number of family members
- Nature of family type: Nucleus /Joint family system
- Average household expenditure per month:
- What applies to you out of the below regarding the time you give to this business?
 - This is my full-time activity
 - This is one section of my business as I am doing business in other places too
 - This is my part-time activity as I am also doing a job in the government
 - This is my part-time activity as I am also doing a private job
 - This is my full-time activity but I am also doing another earning activity along with it such as selling & buying land/goods/etc.
 - Other

Information about the khoka

- Year of starting this setup.
- Location of the cart:
- Spot of the cart:
 - Sidewalk
 - Footpath
 - parking lot
 - roadside
 - park
 - outside a shop
- The type of services you offer under this entrepreneurship:
 - Food only
 - Food and tea only
 - Fruits and vegetables
 - General grocery
 - Beverages/Juice
 - Non-food services/ other
- Nature of this setup:
 - Family setup
 - Sole proprietor
 - Partnership
 - Set up under a registered company name
- Total number of workers
- Start of khokha:
 - Purchased
 - Self-constructed

- inherited
- Per month wages of worker:
- The size of this setup relative to other same sets up here: small/large/average
- What is the market value of such set up now a day?
- What is the average range of minimum to maximum cost for establishing such a setup nowadays excluding the value of land?
- What percentage of household expenditure depends on the earnings of this setup
- What is the average number of customers per day in a normal season?
- How much does it surge in peak season?
- How much does it drop in the off-season?
- What are your working hours?
- What are your working days?
- What is the minimum level of revenue that is required for covering at least the per day cost of this set-up?
- Do you pay any rent? Y/N
- If yes, what is your per-month rent?
- Who do you pay the rent to?
- Do you have an electricity connection? Y/N
- If yes, what is your average electricity bill per month?
- Electricity meter: Shared/Independent.
- In the case of the shared electricity meter, did you apply for an independent electricity meter Y/N
- Water connection: Shared/Independent.
- In the case of shared water connection did you apply for independent water connection Y/N

Start of this Khokha

- What was the total investment for setting up this setup in PKR?
 - 50,000-100,000
 - 100,000-200,000
 - 200,000-500,000
 - 500,000-1,000,000
 - 1,000,000-2,000,000
 - More than 2,000,000
- How much financing (in %) was arranged for starting this setup out of the below? (0 to 100%)
 - Loan from bank
 - Loan from family
 - Loan from friends
 - Loan on interest from someone
 - Own savings
 - Funds via Ballot committee
 - Any other
- What was the role of the following people in starting up this setup?
 - Parents:
 - Family
 - Friends:
 - Business partner
 - Others

- What applies to this setup out of the following regarding permit/license
 - Proper application for acquiring permission/permit/ from local authorities for starting this setup was made and the permit was awarded in written form after due process within due time. Yes/no
 - Proper application for acquiring permission/permit/ from local authorities for starting this setup was made and the permit was awarded in written form after the due process but along waiting time. Yes/no
 - Proper application for acquiring permission/permit/ from local authorities for starting this setup was made but no permit has been granted till now. Yes/no
 - We tried to get permission and submit the application but we were informed that no chance of permission exists, hence we gave up to take any permit. Yes/no
 - There is no concept of proper application and we only have the backing of local authorities and pay them some money as and when it is required. So money is the permit. Yes/no
 - There is no concept of proper application and we first started this setup and now keep officials people happy directly or indirectly through money. Yes/no
 - We only pay rent, and this is the job of the owner to provide us with all kinds of permissions and protection Yes/no
 - Any other-----please specify

- If you haven't been granted a license, what did you do to enter an otherwise illegal business
 - I don't have a license, but I regularly bribe the government officials
 - I don't have a license, but I have connections with government officials/police, so I am not harassed
 - I don't have a license and I will remain here till I am evicted, then I will start at some new place
 - I don't have a license, but I have connections with the local market union, and they protect me
 - I don't have a license, but I operate at those times/locations when/where officials do not visit regularly
 - I have obtained written permission through my connections with higher-ups

- Did you pay or were asked for any money (bribe) for seeking permission to start the setup?
Y/N

- If yes, how much in PKRs?
 - Less than 5,000
 - 5,000-15,000
 - 15,000-50,000

- 50,000-100,000
 - More than 100,000
- To what extent do the following play a significant role in starting this setup
 - Proper investment plan and deliberation
 - A sudden chance
 - Motivation from family
 - Motivation from friends
 - As a last resort after trying for jobs but could not get any
 - Motivation from colleagues in the office
 - Extension of an already existing setup
 - Good business opportunity
 - Earnings from the job were not sufficient
 - Knowing someone who has operated khokha in the past
 - Supporting the local community
 - Other
 - Which of the following proved to be a major hurdle for starting this setup?
 - The behaviour of local authorities
 - Uncertainty in the legal framework
 - Repeated visits to the office of local authorities
 - Asking for a bribe by local authorities
 - The behaviour of family members
 - Discouraging remarks from family
 - The behaviour of local people/neighbours was not favourable/facilitating for starting this setup
 - The behaviour of traffic police
 - The behaviour of general Police
 - People already doing business here/Market unions
 - The behaviour of some unknown people who did not come to the front directly.
 - Any other
 - Which of the following proved to be a major support for establishing this setup?
 - The behaviour of unknown people who did not come to the front
 - Support from local authorities
 - Support from family members
 - Support from friends
 - Support from local political influential people
 - Any other

Running the business

- Which of the following issues you have faced while running this setup?
 - The number of written notices for clearing/leaving this place
 - The number of times your setup was bulldozed in an operation of local
 - The number of verbal notices for leaving/clearing this place
 - The number of capturing the cart/machinery/food
 - The number of times you have given money (bribe) to local authority/police etc.
 - The number of times of giving free food/goods/gifts to local authority/police etc.
 - The number of threats by officials from District Administration/AC/DC
 - The number of rumours regarding possible eviction
 - None
 - Any other

- Give us the name of 1-3 major challenges for running this setup smoothly.
1-----2-----3-----
- Apart from the challenges you are facing, do you have to do any of the following for running a smooth business here
 - I have to pay regular monthly/free food to government officials/police etc.
 - I have to pay regular money to influential people here
 - I have to make regular payments to the police
 - I have to give free food/bribe to the local market union here
 - I have to pay a monthly bribe even then I get continuously harassed
 - The behaviour of customers is an issue who are not supportive
 - I have connections with influential people so I don't pay anything to anyone
 - I have connections with local people/unions so I don't pay anything to anyone
 - None
 - Any other
- What is the average monthly amount, if any, that you have to pay/asked to pay for keeping the local authority happy (bribe)?
 - 1,000-5,000
 - 5,000-15,000
 - 15,000-25,000
 - 25,000-50,000
 - More than 50,000
- If your cart has been confiscated ever, for how much time did it remain in the custody?
 - 1-2 days
 - 2-5 days
 - 5-15 days
 - 15-30 days
 - 30-60 days
 - More than 60 days
- What kind of loss was inflicted on you if your cart was confiscated?
 - Cart was damaged
 - Food was destroyed/eaten
 - Sales were zero as business remained close
 - Had to pay a bribe to get back the cart
 - Legal fees for bail of workers/fines
- How much loss occurred in monetary terms during the time your cart was confiscated by officials if it ever happened?
 - 1,000-10,000
 - 10,000-25,000
 - 25,000-50,000
 - 50,000-100,000
 - 100,000-200,000
 - 200,000-350,000
 - More than 350,000
- If you have exited from the khokha business in the past, which of the following factors could explain such an exit?
 - The inconsistency of the government policy on khokhas
 - The losses that I born due to demolishment/eviction/confiscation of goods

- I declined to pay any bribe and was forced to leave
 - I paid a bribe, but I could not afford to pay it regularly
 - Due to ambiguity in legal status, this could not become a source of sustainable income
 - The mental stress that was caused due to continuous threats
 - Friends and family never accepted this profession for me
 - The owner of the land asked to evict
 - Any other
- Are you thinking to quit/leaving this setup in near future? Y/N
- If Yes, what might be the major reasons
 - Uncertainty of legal status causing mental stress
 - Cannot afford to pay regular bribes as they consume a large chunk of revenue
 - I do not want to pay bribes as it is a sin
 - I want to move towards some respectable work as here I am always harassed
 - The attitude of consumers is discouraging, and sales are not good
 - I am unable to run my home expenditure with the income from this setup
- Are you willing to transform this setup into a formal/legal setup (Y/N)
- Do you think of selling this setup in near future? Y/N
- How much will you ask if someone is interested to purchase this setup
- Are you planning to expand this setup? Y/N
- In case of yes which of the following challenges applied to you
 - I want to expand but due to legal issues cannot do
 - I am waiting for a clear policy by the government on khokhas
 - I am waiting to get a license/permission before expanding
 - I need to arrange a large sum to pay the bribe for establishing a new setup
 - I was paying bribes still I was not being protected
 - I want to set up a formal shop and have to save a lot.
 - I am looking for renting a place where authority officials cannot intervene
 - Any other
- In the case of NO, which applies to you?
 - The lack of consistency in policy
 - The fear of loss due to possible demolishment
 - I won't expand till I get connections with influential people
 - I don't have the money to expand
 - I cannot expand because my business is running due to the specific location only and opening khokha in some other place will not attract the customers
 - Any other
- What are the costs of running a khokha as compared to running a shop/restaurant?
 - The absence of a legal framework leads to harassment from official authorities
 - A proportion of revenue goes into bribes
 - Severe weather conditions have a negative impact
 - Difficult to find investors for expansion
 - Uncertainty of income
 - Can only be expanded to a limited extent due to unavailability of storage/refrigeration etc.

- Maintaining hygiene is difficult
 - Maintenance of the cart/khokha is difficult
 - Any other
- What are the benefits of running a khokha as compared to running a shop/restaurant?
- Can be started with a relatively lower cost
 - Very low operating costs
 - People on the go can stop and purchase from us, hence higher sales
 - The flexibility of relocating to markets/areas with better opportunities
 - Easily Manageable
 - Customers prefer such initiatives
 - Any other

The impact of COVID-19

- What has been the impact of the COVID-related lockdown on your business? Tick the one that applies to you.
- I suffered losses (Y/N):
 - In the case of yes, the total amount of loss is
 - I accumulated debt (Y/N).
 - In case of yes what is the total amount of debt
 - I did not suffer any loss, however, my sale dropped: Y/N in case of yes, how much sales dropped as compared to normal days
 - I tried to sell the setup but did not find anyone to buy (Y/N) In case of Yes, how much price you willing to sell:
 - I just closed the setup and was waiting for normal days: Y/N
 - I sold out the set-up during this time Y/N in case of Yes, sale price:
 - I did not suffer any loss, rather my sale increased: Y/N
 - Any other
- I got financial support during lockdown: Y/N
In the case of Yes from whom (Govt/NGO/Family/Friends/etc.) and how much
- I will recover the loss soon: Y/N
In the case of yes how much time

THE STREET ECONOMY IN TWIN CITIES: AN ECONOMIC ANALYSIS

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ABSTRACT

The study aimed to provide an economic analysis of the street economy in the twin cities of Islamabad and Rawalpindi. The survey-based analysis of 1,863 fixed street vendors working in the twin cities showed that the lack of formal education and unemployment forced individuals to choose street vending as a profession. The analysis revealed formal-informal solid economic linkages, which were beneficial for shop owners and street vendors. The formal business (shops) benefited from the pedestrian traffic that the street vendors attract by selling low-cost products. At the same time, street vendors used the formal sector to buy a product and use storage spaces. The average monthly revenue of street vendors was Rs. 114,708 (US\$ 740) and, on average, earned a significant profit of US\$ 212 per month (29% of total monthly revenue). The street vendor made, on average, US\$ 571 investment to run the vending business and around 60% of the street vendors used their own money to start a street vending business. A street vendor spent around US\$ 107 monthly as an operational cost, and more than 51% of the total operating cost incurred by the street vendors was in the category of rent paid to the owner of the shop. The economic contribution of SE to the national economy was around Rs.398.037 billion (US\$ 2.57 billion), which is around 1.25% of the total GDP of Pakistan, based on revenue data we collected from our survey, which is still underreported due to the informality of the sector. The lack of legal protection was one of the significant challenges faced by street vendors. We found that 98% of SVs operated without any legal protection. The reported economic loss due to informality constituted around 62% of monthly revenue and 215% of net monthly profits. The multidimensional vulnerability index (MVI) showed that approximately 21% of street vendors were acutely vulnerable, while more than 25% of SVs were vulnerable. The multivariate analysis showed that socioeconomic vulnerability had a negative and significant impact on monthly profits. Around 57% of SVs fell below the poverty line, being treated as poor. The economic analysis of street vending provides numerous insights for policymakers and other stakeholders, including businessmen, market associations, regulatory authorities, administrative bodies, and social protection agencies

1. INTRODUCTION

Pakistan has a large street economy (SE) operated by individuals and micro-enterprises, namely street vendors (SVs), across the country, mostly in urban areas.¹ SVs are a part of the informal economy that provides employment and livelihood to the poor with low skills and literacy and produce numerous social and economic benefits (Martínez, Short, & Estrada, 2018). The SE has a strong linkage with the supply chain comprising both formal and informal players. SVs are just at the retail end of a rather complex supply chain. Despite the massive penetration of SVs in urban markets, economic contributions and the supply chain of SE are unknown in Pakistan. It is vital to gauge the contribution of SE to the overall economic landscape of the country due to the overwhelming involvement of individuals and micro-enterprises. There are no precise estimates of the quantum of SE due to its informal nature in Pakistan. Global assessments have shown that the SE has grown exponentially, affecting the daily life of 5 billion people, with a volume of US\$ 30 trillion (Sirkeci, 2020, p. 11).

Despite the significant contribution of SE, street vendors continue to struggle at the margins of the economy. Street entrepreneurs are subjected to abuse and their dignity is violated due to a lack of legal status. The failure to recognise them as entrepreneurs has resulted in the loss of national revenue from street vending registration fees, hawking licenses, and taxes (Mazhambe, 2017). Therefore, it is vital to understand the characteristics of micro-enterprises operating in SE to design a policy framework to formalise SVs.

This study explores the characteristics of the micro-entrepreneurs operating in SE through a comprehensive survey of street vendors in twin cities, i.e., Islamabad and Rawalpindi.² We also examine the differences in business operations, supply chain, and economic contribution of street vendors across two different types of markets. Twin cities host around 3 million people.³ On average, 1% to 1.5% of the labour force is engaged in SE (GoP, 2021). Both cities operate under different administrative structures. Markets are relatively well organised in Islamabad compared with Rawalpindi. Furthermore, Islamabad hosts relatively high- and middle-income families while low- and middle-income families reside in Rawalpindi.

The rest of the paper is structured as follows. Section 2 provides an overview of existing literature on the street economy. Section 3 provides a detailed elaboration of data and methodology. Section 4 presents an economic analysis of street vending in twin cities. Section 5 gives poverty implications of street vending and Section 6 provides COVID-19 implications for street vending. The last section presents policy implications.

2. LITERATURE REVIEW

Street vending is an important part of the informal urban economy. Despite many attempts by the government to eliminate street sales, it continues to thrive in many cities as a massive, low-income population benefits from the purchase of cheap goods. Street vending is a major source of jobs and revenue, particularly in developing countries, for urban inhabitants around the world. Street vendors operating on the streets may operate while being mobile or at permanent places carrying their goods at locations where there is high pedestrian traffic.

Besides emulating these informal characteristics, a peculiarity of the street economy is embracing that economic activity that depends for its existence on access to streets or publicly accessible spaces (Brown, Lyon, & Dankoco, 2010). This specific feature of the street economy brings it into the direct realm of public space (Low, S., & Smith, 2013). It induces little empathy for street vendors from other users of the public spaces. Street vendors can be broadly segregated into stationary and mobile types. It has been observed worldwide that migrants make up

¹ The SE is defined as retailing of skills and materials, manufactured, and supplied through different processes (both formal and informal) to retailing enterprises working informally from the state- or privately-owned public spaces. The SE can also be defined as exchanging all types of goods and services in public areas, streets, sidewalks, and squares (Sirkeci, 2020, p. 14). A public space refers to an area or place that is open and accessible to all people, regardless of gender, race, ethnicity, age, or socio-economic level. The SE is a subset of a broader informal economy.

² Rawalpindi is adjacent to Islamabad – the capital of Pakistan and the two are jointly known as the “twin cities” due to strong social and economic links between the two cities.

³ According to Census 2017, the urban population of the Rawalpindi tehsil is 2 million while around one million people live in urban areas of Islamabad tehsil. The total population of the Rawalpindi district is 5.4 million and the Islamabad district is 2 million.

most of this low-capital, low-skill, and easy-to-enter segment of street vending. This rootlessness of the high number of street vendors defines their reduced nuance value for local political players. Owing to their agglomeration advantage, urban centres remain the leading choice of street vendors worldwide. As previously discussed, street vendors concentrate in areas with high population density, high walkability, transportation nodes, etc., and provide goods and services in these public spaces (Rogerson, 2017, 2019). Street vendors are spatiotemporally flexible, due to which they can be irregular in their public space choice (Huang, Xue, & Wang, 2019; Sun, Bell, Scott, & Qian, 2020; Swai, 2019).

The literature describes three fundamental roles of street vending in cities' economic systems. First, it provides essential survival for the substantial urban and migrant population (Fletcher & Ahmed, 2011). It also creates a cascading effect across the local economy by selling goods or services to passersby. With more profit accumulated, they demand more raw materials from the local economy, generating more jobs (Liu, Burns, & Flaming, 2015). The last characteristic is that street vending provides a low-cost and highly efficient system of products required daily (Ray & Mishra, 2011).

Street vending in Islamabad is not a new phenomenon and dates back to pre-master plan days in the 1960s when the CDA requested locals to set up food stalls for the labour working on implementing the Islamabad master plan. These kiosks fulfilled the needs of the labour and also provided more income to the residents. However, when the formalisation started and the kiosk owners were allotted spaces after the first comprehensive policy was formed in the 1980s. They were allotted temporary licenses but the graduation towards permanent licenses was stopped due to the absence of street vending in municipal by-laws, which were the product of the Islamabad master plan (Zulfiqar & Butt, 2021). In the 1960s, hawkers and street vendors were a norm, one could find them at every nook and corner, and they created a vibrancy in the streets (Haque, 2019). With passing time there have been numerous temporary policy changes either to facilitate or remove street vendors. Nowadays clearing street vendors from public spaces is a norm by local municipal authorities in Pakistan. However, the strategy has never succeeded in permanently getting rid of street vendors because of simple economics. Vendors are there to bridge the gap in the market for those consumers who cannot get the service/product from conventional shops because of higher prices due to more fixed costs (Moosvi, 2022). PIDE has been raising the voice for street vendors and has partnered with Ehsaas, the premier poverty alleviation initiative in establishing evidence-based street vending spaces in different parts of Islamabad, which will be scaled up to the entire country in long run (Banday, 2020).

As street vending is a source to uplift millions of people across Pakistan and the world, the majority of streets belong to poor or lower-middle-class strata of society (Moosvi, 2021). In India, it was found that many street vendors became a part of the formal business and earn a handsome amount (Bromley, 2020). The evidence collected from different earlier surveys showed that due to no policy in place for street vendors, evictions of street vendors are a norm by the local municipality and their material is confiscated and it takes at least 3 weeks to get the material and carts back so they can continue their vending. It usually results in 50-100% loss of the material (Banday, 2021).

Most of the local economy's street vending operations are in eatables. The Food and Agriculture Organization (FAO) also acknowledges street vendors' role in promoting food access at low prices. Some of the downsides associated with street vending are valid such as street vendors maintaining low-hygienic standards compared to formal. Another argument is that street vendors create congestion on the most important routes in the city for pedestrians or other traffic. As new vendors keep coming, the resolution of these two critical issues becomes difficult. Municipality or city authorities can enhance the street vendors' capacity. To this end, there are various successful precedents available throughout the world.

A strand of literature looks into the efficient nature of these small businesses which provides them with a chance to provide cost-efficient services to the urban poor (Yasmin, 1996; Tinker, 1997; Suriansyah, 2005). These street vending operations are very efficient in value addition converting raw materials using labour and small-scale capital with zero bureaucracy at all. The nature of the street-vending provides enables businesses to react to market fluctuations without any need for infrastructure change, consultancy, requirements of new staff, etc. (Sirkeci, 2020). Street vendors are crucial for the urban poor's subsistence in big metropolitan cities of the world, as the needs of middle and upper-income groups are met by mega shopping malls. Around 30% of the world's

population has engaged at least once at some point in their lives in selling bagels, peddling, or selling newspapers (Kühn et. al., 2018).

Low-income citizens spend a considerable part of their daily time at bus stands, subways, bus stops, big business places, parks, and in front of schools, which is also parking point for street vendors as well. By buying products at reasonable prices, the daily needs (clothes, food, etc.) of the urban poor are met by street vendors (Firat, 2010, p. 164). As Sirkeci (2020) described, policymakers, established businesses, and urban managers are not interested in understanding the street economy, which employs millions of low-income people and easily adds value to the tune of billions of dollars.

A strand of literature looks into the economic contribution and the street economy and analyses how street vending is an important source of livelihood for many urban poor households (McGee, 1977; Iyenda, 2005). Growing research has shown that small, local companies represent valuable community assets, creating stable and entrepreneurial communities, which are linked and generally more advantageous. Local businesses in general recirculate more of each euro in the local economy by building supply chains owned locally and investing in their workers.

Liu et al., (2015) conducted a city-wide study in Los Angeles, which showed that street vendors generated \$517 million in economic stimulus from \$504 million spent a year, which means that for every \$1 earned by the street vendor, the economic output of \$1.02 was created. Kusakabe (2010) found similar results for Cambodia. He found that, on average, US\$25.70 per day was made by a street vendor from which US\$24.20 was spent, leaving a profit of US\$1.48. Kusakabe (2010) also reported that in Thailand, 70% of the street vendors earned 200 bahts or more. Street vendors provide a considerable amount of employment in the informal sector for the urban and migrant population. Gcumeni and Reeler (2015) reported that 75% of the population was employed in street vending operations in Zimbabwe's major cities. Chen et al. (2002), while discussing the supply chain of street vending operations, stated that it also sustained the jobs of millions working in the industries that produced the wares sold by street vendors.

The street vendors do not make money only for themselves, but farmers, small-scale manufacturers, and home-based industries also depend on these street vendors to market their products. Successful micro-level street businesses help to accommodate unemployed people. As they tend to grow, they also provide opportunities for inward migration and generate new space for entrepreneurs.

3. RESEARCH METHODOLOGY

To explore the objectives of the study, which are to explore the characteristics of the micro-entrepreneurs operating in the street economy and to develop a micro-macro model to evaluate the economic value of the street economy at the national level, we used a comprehensive survey of street vendors in Islamabad. Our analysis used primary data collected through the "PIDE Street Economy Survey (PSES)" in twin cities, namely, Islamabad and Rawalpindi. The survey covered 1,683 street vendors (SVs) operating in twin cities. Keeping in view the objectives of the study, we only interviewed fixed street vendors located in the main markets of the twin cities. In Islamabad, we interviewed the entire population of SVs operating in Markaz of 15 sectors. Furthermore, we interviewed SVs in the peri-urban market of Bhara Kahu in Islamabad to capture the regional heterogeneities. In Rawalpindi, two trading hubs were selected for the survey based on the importance of the markets. First, we interviewed SVs in Raja Bazar, which is a wholesale market and customers from adjacent districts use this market for buying products at wholesale prices. Secondly, we covered the Commercial Market, which is one of the biggest retail markets of Rawalpindi in terms of offerings. Both spaces have a significant presence of street vendors.

We used the computer-assisted personal interviewing (CAPI) method to collect data using Android tablets and mobiles. The CAPI provides real-time access to data for verification and cross-checks to ensure data quality and transparency. The questionnaire was digitised using Microsoft Forms for data collection. We revised the questionnaire after conducting a pre-testing survey in Bhara Kahu and G9, Islamabad. We hired sixteen enumerators (eight males and eight females) and two supervisors to conduct a survey using the face-to-face

⁴ Sectors are administrative divisions of Islamabad. Each sector covers an area of approximately 2KM×2KM and divided in four sub-sectors (residential) and a centralized commercial market, called "Markaz". Map 1 shows the spread of sectors selected for data collection in Islamabad.

interview method in twin cities. We organized a three-day training session at PIDE to train the enumerators. The field survey was conducted in June-July 2021. The final dataset covered 1,683 SVs in twin cities. We interviewed 1,238 SVs in sector markets and 445 in non-sector markets (Table 1)⁵.

We used a structured questionnaire to collect information on the socioeconomic profiles of SVs, their business operations, supply chain, financial inclusion, economic contribution, and administrative challenges. The survey results showed that the average age of respondents (street vendors) was 32.9 years and among them, 75% of SVs were married. The lack of education is one of the key determinants of the adoption of informal businesses such as street vending (Smith & Metzger, 1998). Among respondents, 24% had no formal education, 21% had below primary education, 44% had up to 10 years of education, and 11% had intermediate and above education. These statistics suggest that most of the SVs had low education, and hence, had less chance to get a job in formal sectors of the economy. The average household size was 8.1, which is a relatively larger household size compared to the national figure. Table 1 shows that around 60% of SVs were migrant workers, who migrated from other districts across Pakistan. Around 58% of SVs lived with family members, while around 35% lived alone in rented houses. The data shows that around 90% of SVs lived in rented houses. Notably, more than 90% of SVs lived in rented places in Islamabad compared to 84% in Rawalpindi and other peri-urban areas.

4. RESULTS AND DISCUSSION

Street vending characteristics

We use descriptive statistics to present our analysis. Table 2 shows that, on average, vendors had 10.5 years of experience in the street vending business. The fixed vendors used different structures for vending their products. The survey data shows that around 61% of SVs used tables and 32% used carts for vending. The use of tables for vending reflects a bit of permanence as most of the tables are placed in front of shops. The descriptive statistics show that 84% of SVs owned vending carts/tables and around 86% of SVs also owned vending businesses. Martínez et al. (2018) found similar ownership patterns in Colombia. These statistics reflect that street vendors are self-entrepreneurs with more than 10 years of working experience. We found that around 86% of street vendors, on average, worked for more than 10 hours per day. We found that working hours were relatively higher in non-sectors markets than in sector markets. Around 92% of SVs were found to be working more than 10 hours a day in non-sector markets compared to 83% of street vendors in sector markets. Similarly, a majority of street vendors (more than 91% of SVs) worked seven days a week, showing long working hours without any breaks.

Figure 1 shows that around 26% of SVs offered food-related items for sale, which included packed food/snack, and food prepared with fire and without fire. Around 22% of SVs offered garments for sale – the second largest category of sales item offered by SVs after food items. Around 15% of SVs offered fruits and vegetables for sale followed by shoes, sunglasses, and watches (13%), plastic items (8%), electronic and mobile accessories (8%), and ladies' bags and jewellery (5%). The descriptive statistics show that food, garments, fruits/vegetables, ladies' handbags, and electronic and plastic items were the main selling products in street vending economy.

The survey respondents (SVs) presented various reasons to start a vending business. The descriptive statistics show that around 43% of SVs reported that they started a street vending business due to unemployment. Dzaramba & Marumure (2021) found that unemployment is the highest contributor to street vending in Zimbabwe. Around 40% of SVs documented that they joined vending businesses due to unemployment in Zimbabwe (Dzaramba & Marumure, 2021). Furthermore, around 26% of SVs mentioned that they started street vending businesses willfully due to significant returns. Around 23% of street vendors stated that they opted for the street vending business due to a lack of formal education and experience to be engaged in formal employment or any other business. A small portion of SVs (around 8%) reported that street vending was their family business (Figure 2).

The economics of street vending

This section presents information on business operations, economic linkages, income, sales, and profits of the

⁵ Sector markets include all commercial markets located in commercial areas (Markaz) of sectors in Islamabad. Non-sector markets include peri-urban markets located in Islamabad and commercial hubs (Raja Bazar and Commercial Market) located in Rawalpindi.

street vending business. We use descriptive statistics to conduct an economic analysis of the street vending business. As mentioned above, we collected data from two different markets, namely, the sector market and non-sector markets. We used the standard t-test with a confidence interval of 95 to explain the significance of differences across the two markets.

Formal-informal economy linkages

We also explored the economic linkages of the street vendors with the overall economic landscape of the country. We found that street vendors, in both markets, located their stalls (tables/carts) outside formal stores using the available public spaces and sidewalks. Around 47% of SVs located in front of shops and over 49% of SVs used sidewalks for their businesses (Table 2). The street vendor respondents informed that owners of the formal shops charged for the use of public space in front of their businesses. In some cases, the owners of the formal shops hired a worker (around 15% of SVs) to operate a stall in front of the shops.

These findings reflect that formal-informal linkages are beneficial for both formal shop owners and street vendors. Martínez et al. (2018) argued that the formal-informal nexus is beneficial for both owners of formal shops and street vendors due to strong linkages. Formal business (shops) benefits from the pedestrian traffic that street vendors attract by selling low-cost products. On the other hand, street vendors use the formal sector to buy products and use storage spaces. We found that wholesalers/distributors (mainly working in the formal sector) were the major input providers for street vendors in both markets. Around 70% of SVs purchased raw materials and other inputs from wholesalers/distributors. Around 26% of SVs used the marketplace (Mandi) to buy raw materials and other inputs. Very few (around 4% of the SVs) used middlemen as a source to purchase raw materials and other inputs for street vending (Table 3). Martínez et al. (2018) also found that wholesalers were the major input providers for street vendors in Colombia.

We found that around 73% of SVs used stall spaces to store sales items, while around 18% of SVs used warehouses to store sales material (Table 3). The street vendors reported that formal shop owners provided storage spaces on rent to store sales items. This also reflected bi-directional dependence between formal shop owners and street vendors to generate business returns.

Business operations: Revenues, investment, profits, and operational costs

The descriptive analysis shows that the average monthly revenue of street vendors was Rs. 114,708 (US\$ 740) for the full sample. Street vendors operating in sector markets generated relatively higher revenues (US\$ 746) compared to non-sector markets (US\$ 725). However, the standard t-test showed differences in revenues were not significant. The economic transactions (sales of items and services) of street vendors contributed directly to the socio-economic development of the city since street vendors provided low-cost food items and other daily use items to low- and middle-class society in the city. Martínez et al. (2018) argued that low-price products and food supplies by street vendors had a direct impact on the economic and social development of the city's poor segments.

The analysis revealed that street vendors, on average, earned a significant profit that amounted to Rs. 32,862 (US\$ 212) per month (29% of total monthly revenue). Street vendors operating in sector markets earn a relatively higher profit of Rs. 33,637 (US\$ 217) compared to vendors running a business in non-sector markets who earned a profit amounting to Rs. 30,846 (US\$ 199). The standard t-test shows that sector market profit was significantly higher than the non-sector market (Table 4). This implies that businesses were more profitable in sector markets than in non-sector markets. The obvious reason for relatively high profits in sector markets was the economic status of the customers. The customers in sector markets mainly belong to the middle-income group, while in non-sector markets, customers belong low-income quintile. Generally, profit margins were higher in rich urban markets such as sector markets (Markaz) in Islamabad. Martínez et al. (2018) found that average profit varied between 21% and 40% in street vending businesses, depending upon the market structure.

The descriptive analysis shows that street vendors invested, on average, US\$ 571 to run a vending business. There was a significant difference in investment requirements across the two markets. We found that the average

investment in sector markets was US\$ 626, while it was US\$ 419 in non-sector markets. This shows that starting a vending business in a non-sector market is relatively cheaper compared to a sector market due to cheap inputs and low operational costs. Around 60% of SVs invested their own money to start a street vending business, followed by 32% of SVs who took money from their family and friends to invest in the business. Very few street vendors (only 8%) took a loan from formal and informal sources to invest in the street vending business (Table 4).

The analysis shows that street vendors held, on average, an inventory of US\$ 498 to earn a profit from the street vending business. There was a significant difference in average inventory across markets. We found that the average inventory in sector markets was higher (US\$ 544) than in non-sector markets (US\$ 371). Interestingly, if we compare the profit ratio with investment and inventory requirements, we found that profit share was relatively higher in non-sector markets compared to sector markets due to small investment requirements.

Apart from input costs (for raw materials and other services), we explored the operational cost incurred by street vendors to run their businesses. We found that a street vendor pays around US\$ 107 monthly as an operational cost. The analysis showed a significant difference in operational costs across both markets. The descriptive analysis revealed that street vendors, on average, incurred approximately US\$ 115 in sector markets and only US\$ 85 in non-sector markets (Table 5). These findings exhibit that it was costly to run a business in sector markets due to high operational costs. We bifurcated total operational costs into various components. Interestingly, we found that more than 51% of the total operational costs incurred by the street vendors fell in the category of rent paid to the owner of the shop.

These findings reinforce the argument of strong formal-informal economic linkages. On the one hand, street vendors earn significant profits from street vending businesses, while on the other hand, formal shopkeepers earn profit in two ways. First, owners of shops receive direct rent from street vendors to run businesses in front of their shops. Second, the sales of formal shop owners increase due to the flow of pedestrians, mainly visiting vendors. Apart from shopkeeper rents, street vendors paid a small amount to local administration and market committee as fees. Furthermore, street vendors paid around 8% of operational costs to avail basic utilities such as electricity, water, and other services. Around 13% of operational costs were in the category of transportation and 25% are other costs.

Business operations: Financial inclusion

The importance of financial inclusion to promote micro, small and medium enterprises (MSMEs) is well-documented in the literature (Demirgüç-Kunt & Singer, 2017; Ibor, Offiong, & Mendie, 2017; Irankunda & Van Bergeijk, 2020; Khawaja & Iqbal, 2019). Financial inclusion, such as saving accounts, loans, and business transactions, positively and significantly impacts the operations and growth of MSMEs, leading to inclusive growth and economic development (Demirgüç-Kunt & Singer, 2017; Ibor et al., 2017; Nandru, Chendragiri, & Velayutham, 2021). Despite the significant contribution of financial inclusion, the global evidence shows that the use of financial services among street vendors is very low (Irankunda & Van Bergeijk, 2020; Martinez & Rivera-Acevedo, 2018).

The descriptive analysis shows that only 11% of SVs had any type of bank account. These statistics reflect that the ratio of formal bank accounts is very low among street vendors operating in non-sector markets (only 6% of SVs had a bank account) as compared to vendors doing business in sector markets (13% of SVs had a bank account). With respect to the nature and the use of bank accounts, we found that, among those SVs who had bank accounts, around 24% of SVs used bank accounts for trading purposes, while around 50% of SVs used bank accounts for saving purposes and around 25% of SVs used bank accounts for sending money home (Table 6). This implies that apart from very low financial inclusion, the use of bank accounts is also limited to non-productive uses.

Over the last few years, mobile banking has been expanding exponentially in developing countries, including Pakistan. We found that around 49% of SVs had mobile banking accounts. Interestingly, the use of mobile banking was significantly high in non-sector markets than in sector markets. In non-sector markets, around 56% of SVs had mobile banking accounts, while only 47% of SV had mobile banking accounts in sector markets. This shows

that SVs preferred mobile banking accounts, primarily due to easy access and quick payment. With respect to the use of mobile banking accounts, we found that, among those SVs who had mobile bank accounts, around 50% of SVs used mobile banking accounts for sending money home, i.e., remittances. Furthermore, around 37% of SVs used mobile banking accounts to make business transactions such as making and receiving payments. This implies that easy access to financial services would induce street vendors to use the financial system to expand their businesses. Martinez & Rivera-Acevedo (2018) argued that street vendors are generally excluded from the formal financial sector; hence, rely on the informal sector for lending.

The analysis shows that around 34% of SVs took loans from various sources. Among those SVs who took loans, around 54% of SVs took loans from friends and family members for starting a business, while 41% of SVs took loans from informal lenders. Only 5% of SVs used the formal sector such as banks and microfinance institutions to take a loan. This again reflects that SVs are weakly integrated into the formal financial sector for business purposes. The analysis shows that SVs took, on average, US\$ 864 loan from these sources, either to make an investment or meet consumption needs (Table 7). Martinez & Rivera-Acevedo (2018) showed that informal lenders charged very high interest rates, which maintained a vicious cycle of indebtedness. Various studies show that informal money lenders charge very high interest rates, ranging from 10% to 12% per month (Qadir, 2005).

Vending licenses and cost of eviction

The lack of legal protection is one of the major challenges faced by street vendors. In the absence of a vending license, SVs remain on the tenterhooks all the time. Having little bargaining power, even high-earning vendors at shop fronts are exploited by shopkeepers with an arbitrary increase in rents. The local administration also exploits the illegal status of vendors and earns rent from street vendors. The lack of legal protection leads to harassment, confiscation, and arbitrary evictions (Roever, 2016).

The descriptive analysis shows that only 2% of SVs had licenses to operate in the market. This implies that 98% of SVs were operating without any legal protection in the market. It is also important to note that around 12% of SVs had applied for licenses to local administration (Figure 3). The illegal status of SVs induced the local administration to confiscate the material and evict the street vendors. The analysis shows that 65% of SVs faced eviction, which was significantly high in sector markets (76%) than in non-sector markets (59%). Around 25% of evicted street vendors got a receipt for confiscated material. This shows that the majority of street vendors did not get any legal documents as evidence to claim confiscated material. Around 65% of street vendors reported that they did not get back their confiscated material. This again shows massive exploitation by the local administration to extract rents from street vendors.

The analysis shows that the majority of SVs reported that their carts/tables were removed from their existing locations. Only 39% of SVs claimed that their carts/tables remained intact after confiscation. SVs reported, among those who mention confiscation, that it took, on average, more than seven days to get back their confiscated material. The local administration imposed a penalty of around US\$ 9. Around 39% of SVs mentioned that confiscation caused a loss of more than 50% of their inventory, while 37% claimed it caused a loss of between 25% to 50% of their inventory (Table 8).

We used reported data on daily income to monetise the economic loss that occurred due to confiscation. Table 9 shows that the net loss to inventory, on average, was US\$ 267, which was very high in sector markets (US\$ 296) than in non-sector markets (US\$ 176). The average revenue loss due to business closure ranged between US\$ 150 in non-sector markets and US\$ 191 in sector markets. Total economic loss due to confiscation ranged from US\$ 497 in sector markets to US\$ 334 in non-sector markets. The reported economic loss due to informality constituted around 62% of monthly revenue in the full sample, which was 215% of net monthly profits (Table 9). This implies that one-time eviction led to a loss of almost two months' net profit of the SVs.

The political economy of the vending location

The vending location is the key to determining the nature and profitability of the street vending business. We found that vending location was mainly decided by the vendors themselves (48%), followed by the shopkeeper

(46%). Around 15% of SVs reported that they had to negotiate with existing vendors to place vending carts/tables for vending at a specific location. There was a significant difference in the role of old vendors in location choice among sector and non-sector markets. Further, we found that only 8% of SVs reported that market association played a supportive role in selecting the vending location. This implies that market association primarily discouraged the entry of new vendors into the market. We found that existing vendors were not willing to relocate to weekly markets or any other market developed for street vendors. Only 29% of SVs were willing to relocate to a new market for vending business. The obvious reason reported was that they wanted to stay at the existing place. Around 43% of SVs reported that they selected the place for vending based on daily footfall. Around 26% of SVs reported that they selected the existing space for vending due to space availability.

Socioeconomics vulnerability of street vendors and profitability

The illegal and informal status of street vendors makes their livelihood more vulnerable in cities (Brata, 2010; Esayas & Mulugeta, 2020). Vulnerability is the extent to which persons or things are likely to be affected (Flanagan, Gregory, Hallisey, Heitgerd, & Lewis, 2011).⁶ In the street vending analysis, vulnerable individuals (SVs) cannot cope with socioeconomic shocks due to either weak resilience against economic shocks or a lack of legal protection in vending businesses to cope with the risk of eviction.

Literature has documented various levels of socioeconomic vulnerability faced by street vendors in cities of developing countries. To empirically examine the socioeconomic vulnerability of street vendors in twin cities, we used the framework developed by Esayas & Mulugeta (2020) with some modifications. We used three broad dimensions to capture the socioeconomic vulnerability of street vendors, namely social vulnerability (V1), vending vulnerability (V2), and economic vulnerability (V3).

- Social vulnerability (V1) of SVs refers to the socio-demographic factors that affect resilience of SVs (Flanagan et al., 2011). Limited access to social capital, such as education, age (a proxy for health and experience), marital status, and social status, such as residence and living status may affect the resilience of an individual to cope with socioeconomic risks. The socially vulnerable SVs are less likely to have alternative means of business to cope with business shocks. We used five indicators to define social vulnerability among SVs. These indicators included education, age, marital status, residence, and living status.
- Vending vulnerability (V2) of SVs refers to the vending business characteristics that affect the resilience of SVs to cope with administrative and legal challenges to run their businesses. In vending vulnerability, we used four indicators, namely vending timing, ownership status, eviction, and legal status.
- Economic vulnerability (V3) of SVs refers to the economic conditions of SVs that determine their resilience to running and expanding the vending business. In economic vulnerability, we used four indicators, namely income, experience, loan, and bank account.

We used the Alkire-Foster methodology to construct a multidimensional vulnerability index (MVI) of street vendors (Alkire, Roche, & Vaz, 2017). Table 17 describes each indicator used in the construction of MVI along with theoretical justifications. We assigned equal weight to each dimension and within each dimension, we assigned equal weight to each indicator.⁷ We calculated the vulnerability score of each street vendor using the following formula: $MVI_{i \in [0,1]} = \sum_1^{13} w_i I_i$ Where $I_i \in \{0,1\}$: 1 if a street vendor was vulnerable in indicator i and 0 otherwise. w_i is the weight assigned to each indicator i . The descriptive analysis shows that the mean vulnerability was 0.562 with a standard deviation of 0.115. Using the mean and standard deviation of MVI_i , we defined four vulnerability levels including “not vulnerable ($MVI_i \leq 0.447$)”, “mild vulnerable ($MVI_i > 0.447$ & MVI_i

⁶ Vulnerability is a “state of defencelessness against adverse shock that could inflict damage to an agent or system” (Gallardo, 2018). Gallardo (2018) argues that “a state of vulnerability can be characterized either by the presence of certain weaknesses or internal conditions inherent to the agent or system in question (which determine their state of defencelessness) or by the presence of certain probable external shocks, to which the agent or system does not have the ability to cope.”

⁷ Various studies have used a similar approach to assign weight to different dimensions and indicators (Alkire & Foster, 2011; Awaworyi Churchill, Iqbal, Nawaz, & Yew, 2021; Iqbal & Nawaz, 2017; Maduekwe, de Vries, & Buchenrieder, 2020; Nawaz & Iqbal, 2016, 2021).

≤ 0.562)”, “vulnerable ($MVI_i > 0.562$ & $MVI_i \leq 0.677$)” and “acutely vulnerable ($MVI_i > 0.677$)”. Esayas & Mulugeta (2020) used a similar approach to define various levels of vulnerability among street vendors.

The analysis shows that around 21% of street vendors were acutely vulnerable, while more than 25% of SVs were vulnerable. These statistics reveal that around 50% of SVs were either vulnerable or acute vulnerable. Both markets had almost similar vulnerability patterns (Figure 4). Only 13% of street vendors were not vulnerable as per the multidimensional vulnerability index based on thirteen different indicators. The multidimensional vulnerability index provides useful policy insights to streamline the informality faced by SVs in the twin cities of Pakistan.

We explored the impact of different levels of vulnerability on the monthly profits of the SVs. We found that SVs with no vulnerability earned 4.2% higher profit than the sample mean profit. On the other hand, SVs with the vulnerable status suffered a 3.1% decline in average profit, and acutely vulnerable SVs made 12.2% less profit than the sample mean profit (Figure 5). The vulnerability-profit analysis indicated that socioeconomic vulnerability adversely impacted the profit margins of street vendors: the higher the levels of vulnerability, the higher the chances of reduced profits.

Factors Affecting Profits of Street Vendors: Multivariate Analysis

Given the important role of street vendors in economic activity, it is necessary to determine the factors affecting the street vendor’s profit. To examine the impact of various socioeconomic factors (vulnerability) and business-related factors on the profits of street vendors, we defined a simple regression model as given below:

$$\ln(\pi_i) = \alpha + \varphi S_i + \lambda M_i + \delta_i Z_i + v_i$$

Where $\ln(\pi_i)$ is average monthly profit after taking the log, S represents the sale item, M captures different markets, Z is a vector of socioeconomic variables, and v_i is the error term. In this case, Z captured various levels of socioeconomic vulnerabilities calculated in the previous section. In the above equation, φ , λ and δ_i are estimated coefficients.

The estimated results are presented in Table 11. We estimated various models to ensure the robustness of the results. In Model 1, we estimated the impact of various levels of socioeconomic vulnerability on monthly profit. We used “not vulnerable” as the base category to find the relative contribution of various levels of vulnerability. In Model 2, we estimated the impact of various types of items sold by street vendors on monthly profit. In this model, we used other/electronic items as the base category. In Model 3, we examined the relative contribution of different market structures to monthly profits by using the non-sector market as the base category. In the last model (Model 4), we combined all the factors in a single regression equation.

The results reported in Table 11 show that socioeconomic vulnerability had a negative and significant impact on monthly profits. We found that monthly profits were 12% lower for the “vulnerable” street vendors than for the “not vulnerable” street vendors. Further, we found that monthly profits were 20% lower for the “acutely vulnerable” street vendors than for the “not vulnerable” street vendors (Table 11 – Model 4). These statistics reveal that an increase in socioeconomic vulnerability adversely affected the monthly profits of street vendors.

The empirical analysis shows that monthly profits were 12% higher for the “food” items as compared to “other” items. Similarly, monthly profits were 24% higher for the “fruits/vegetables” than the “other” items. The analysis also shows that the street vendors earned 15% higher in the “garments” category than “other” items. These findings uncover that food, fruits, vegetables and garments were the major profitable items sold by street vendors. Earlier, we documented that these three sales items (food, fruits/vegetables, and garments) had a 62.5% of the market share in the street vending business (see Figure 1). This implies that the choice of vending items was influenced by profit margins in the market.

The empirical analysis shows that monthly profits were 13% higher in the “sector” markets as compared to the “non-sector” markets. This outcome reflects that profit margins were linked with the income status of residents of the vending area. It is well documented that people living in sectors fall in higher income brackets compared

to people living in non-sector areas in twin cities.

We also examined the impacts of the reasons to start a street vending business on monthly vending profits. We found that monthly profits were 51% higher for the “good business opportunity” category compared to the “other” category. This outcome implies that those vendors who joined the vending business with the idea in their minds that it was a good business opportunity, earned relatively higher profits compared to other categories. This also reflects that these street vendors might have had better business planning such as the vending location choice and the selling item choice. We also found that monthly profits were 51% higher for the “family business” category compared to the “other” category. This implies that street vendors with a business background in street vending might have had a better experience and a better vending location to earn higher profits.

To establish the robustness of the results, we estimated the impacts of the factors discussed above by splitting the data across markets. The results are presented in Table 12. We found that socioeconomic vulnerability, especially “acute vulnerability” had a significant negative impact on monthly profits in both markets. The analysis depicts that food, fruits/vegetables, and garments categories had positive and significant impacts on monthly profits in sector markets and fruits/vegetables had a positive and significant impact on profits in non-sector markets. This implies that the profitability of different sale items varied across markets. Lastly, we examined the impact of all the factors discussed earlier on monthly profits using the fixed effects approach. We used the location (sector or market) as a fixed effect factor to capture the regional differences across sectors within sector markets. The results, based on the fixed effects, are presented in Table 13. We found similar results to the results reported in Table 11 and Table 12.

We further expanded the analysis by conducting an indicator-wise regression analysis. For this analysis, we replaced Z with all the possible indicators used in the construction of socioeconomic vulnerabilities. The dependent variable was monthly profits earned by street vendors (reported profit) in a log form. We estimated thirteen different models, based on each socioeconomic vulnerability indicator. The results are reported in Figure 11. Figure 11 shows that economic indicators such as income, loan and financial inclusion had a significant impact on profitability. However, taking a loan had a negative and significant impact on profitability. Similarly, the lack of a bank account also adversely impacted the profitability of the street vendors.

Direct and Indirect Contribution to Output and Employment

To quantify the direct and indirect contribution of the street economy to output and employment, we employed the input-output framework. We assumed that SVs mostly utilised locally made inputs and there was no intermediate consumption so the input-output matrix is based on domestic coefficients without trade coefficients and, therefore, can only be used for analysis under the settings of the closed economy framework.

$$x_i = \sum_j z_{ij} + y_i^d + I_i^d + S_i^d + E_i$$

Where

x_i = output of the i th sector.

z_{ij} = Intermediate consumption of the i th sector as an input.

y_i^d = The final consumption of the i th sector’s product.

I_i^d = Use of the i th sector’s product as an investment.

S_i^d = Change in the stock of the i th sector’s product and

E_i = The export of the i th sector’s product.

We classified SVs into 8 sectors to derive multipliers. Type I output multiplier incorporated direct and indirect effects, Type II multiplier incorporated the induced effect, and Type 1 resulted from an increase in the consumption of households in response to an increase in income. Type II output multiplier incorporated induced effect along with direct and indirect effects and can be obtained by the summation of closed Leontief inverse that is obtained from the equation. We calculated 4 multipliers using the survey data.

- Output Multiplier
- Income Multiplier
- Value-Added Multiplier
- Employment Multiplier

Output Multiplier: In the case of outputs, the Type 1 output multiplier shows that in the case of initial demand of PKR. 1 the output increased by PKR. 1.38, and in the case of Type 2, the output increased by PKR 2.4. The sector-wise output multipliers are presented in Figure 7.

Income Multiplier: In the case of income multiplier, we found that for every 1 Rupee invested in the street vending business, it resulted in an increase of, on average, 0.42 PKR. Direct and indirect effects induced PKR 0.77 (Figure 8). We need to keep in mind that there are significant income leakages, such as bribes, under-the-table deals, etc.

Value Added Multiplier: Figure (9) illustrates direct, indirect, and induced effects and shows that like output and income multipliers, endogeneity of household income increased the magnitude of value-added multipliers as well. In simple terms, for every PKR. 1 demanded the value of PKR. 5.6 was added as direct and indirect effects, and if the induced effect is also catered for then PKR. 6.03 were added. The magnitude of value-added multipliers of each vendor can be seen to be relatively larger than income and output multipliers. It implies that the street vending business has a great potential for value addition. That might be due to the least number of value chains involved in the street vending business.

Employment Multiplier: The induced effect increased the magnitude of each vendor, but the increase was substantially small. Physical employment cannot be in fractions or decimals, therefore, we considered the induced effect to be insignificant. In the case of generating physical employment, around 1.74 people were employed due to an increase of PKR 10,000 in the final demand for street vending products. This might be because most street vending businesses are run by a single, self-employed, person. Therefore, it might be the case that an increase in the final demand for vending services or businesses is more inclined towards an increase in self-employment⁸ rather than an increase in the number of paid employees.

Overall economic contribution to GDP

To calculate the overall economic contribution to GDP, we combined information on SVs available in Labour Force Statistics (LFS) conducted by the Pakistan Bureau of Statistics (PBS) and PSES. LFS is a nationally representative survey that comprises 43,472 households divided into four distinct, nationally representative samples, each enumerated in a given quarter. A sample of 43,472 households is considered appropriate to provide reliable estimates of key labour force characteristics at the National/Provincial level with the urban and rural breakup. The survey poses multiple questions related to the employment characteristics of a respondent. The total number of street vendors who operate on streets or roads all across Pakistan excluding the province of AJ&K is 753,690 (around 1.22% of the total employed labour force, i.e., 61,710,000) who are either stall and salespersons, street food salespersons, or street vendors (excluding food). The majority of the street vendors are situated in Punjab (509,878).

The average income-output multiplier was 0.77, which means that to generate PKR. 0.77 of income one street vendor needed to generate an output of PKR 1.00. The PSES data suggests that on average an SV earned PKR. 1,113 daily, which means SVs' gross national income was Rs. 306.182 billion, and their contribution to the economy of Pakistan was Rs.398.037 billion, which was around 1.25% of the total GDP of Pakistan.

Poverty Implications of Street Vending

It is generally argued that the street vending business is mainly chosen by the poor segments of society to fulfil their basic needs. The street vending business provides an opportunity to low- and semi-skilled individuals to start a micro business in an informal market with low investment requirements. We used household size-adjusted monthly profits to analyse the poverty implications of street vending. Generally, a

⁸ Note the Household sector includes both self-employed and employees

consumption-based measure is used to define poverty in Pakistan (Iqbal, 2020). However, due to the lack of data on monthly household consumption, we used profit (net income) as a proxy to define poverty among street vendors. We used an inflation-adjusted poverty line to define poverty. Following Iqbal (2020), the inflation-adjusted poverty line for 2020-21 is Rs. 4,560.⁹ We found that around 57% of SVs fell below the poverty line, hence, were treated as poor. The poverty rate was relatively high in non-sector markets (62%) than in sector markets (56%). This outcome suggests that street vendors mainly belonged to poor segments of society and were vulnerable to any economic and legal shock.

We examined the prevalence of poverty across various levels of socio-economic vulnerability. We found that socioeconomic vulnerability was highly correlated with poverty rates among sampled street vendors. We found that poverty increased as vulnerability levels increased. Poverty increased from 44% among the “not vulnerable” group to 73% among the “acutely vulnerable” group in the overall sample. A similar trend was observed across both markets (Table 14).

The poverty profile in terms of poverty bands is useful for policy formulation as it groups the population into different bands, which need different policy initiatives (Iqbal, 2020). We found that around 38% of SVs were ultra-poor, while around 13% of SVs were vulnerably poor. This reflects that more than one-third of the SVs faced massive poverty while one-sixth of SVs were vulnerable to economic shocks (Figure 6). Any adverse shock could push them below the poverty line.

Impact of Covid-19 on Street Vendors

As mentioned above, street vendors belong to poor segments of society and are also highly vulnerable to economic and social shocks. The COVID-19 pandemic has caused a significant decline in incomes across all groups of society with a significant decline in incomes of the poor and daily wage workers. The survey data showed that around 87% of SVs were adversely affected by COVID-19 restrictions. Furthermore, around 12% of SVs were moderately affected by COVID-19 restrictions. These outcomes suggest that around 99% of SVs were affected by business restrictions imposed by the government to minimise the spread of the pandemic. Around 46% of SVs reported a 100% loss in income due to business closures during the lockdown. Around 41% of SVs reported income loss of between 50% to less than 100% due to lockdown. This implies over 87% of SVs faced more than a 50% loss in income. This reflects a significant decrease in street vendors' income during the lockdown. We also found that only 13% of SVs were vaccinated during the survey period.

5. CONCLUSION AND POLICY RECOMMENDATIONS

The economic analysis of street vending in the twin cities of Pakistan provides numerous insights for policymakers and other stakeholders, including businessmen, market associations, regulatory authorities, administrative bodies, and social protection agencies. The survey-based analysis of 1,863 fixed street vendors working in twin cities showed that the lack of formal education and unemployment forced individuals to choose the street vending business as a profession. It is noted that these street vendors, so-called micro-entrepreneurs, migrated from low-income and rural areas to find business opportunities in big cities such as Islamabad and Rawalpindi. These micro-entrepreneurs used carts or tables in front of shops and sidewalks to sell various products, including food, fruits/vegetables, garments, cosmetics, ladies' bags, and electronic products. The majority of street vendors worked for more than 10 hours every day, showing long working hours without any breaks.

The analysis shows that formal-informal solid economic linkages are beneficial for both formal shop owners and street vendors. The formal business (shops) benefit from the pedestrian traffic street vendors attract by selling low-cost products. At the same time, street vendors use the formal sector to buy a product and use storage spaces. The average monthly revenue of street vendors was Rs. 114,708 (US\$ 740) and, on average, earned a significant profit amounting to US\$ 212 per month (29% of total monthly revenue). Street vendors, on average, invested US\$ 571 to run a vending business and around 60% of SVs used their own money to start a street

⁹ The data on inflation are taken from “The State of Pakistan's Economy - Third Quarterly Report 2020-21” published by the State Bank of Pakistan (SBP) <https://www.sbp.org.pk/reports/quarterly/fy21/Third/Chap-1.pdf>

of the total operating cost incurred by the street vendors fell under the category of rent paid to the owner of the shop. These findings reinforce the argument of formal-informal solid economic linkages.

On the one hand, street vendors earn significant profits from street vending businesses. We found that street vendors were not integrated with the financial market to use financial services as only 11% of SVs had a formal bank account. Around 49% of SVs had a mobile banking account, mainly for sending money home, i.e., remittances.

The lack of legal protection is one of the significant challenges faced by street vendors. We found that 98% of SVs operated without any legal protection in the market. Due to informality and without legal production, it was noted that 65% of SVs face eviction, which was significantly high in sector markets (76%) than in non-sector markets (59%). We found that total economic loss due to confiscation ranged from US\$ 497 in the sector market to US\$ 334 in the non-sector market. The reported economic loss due to informality constituted around 62% of monthly revenue and 215% of net monthly profits. This implies that one-time eviction leads to almost two months worth of net profit for the SVs. The vending location is the key to determining the nature and profitability of a street vending business. Only 29% of SVs were willing to relocate to a new market. The apparent reason reported by the street vending to stay at the existing place for vending is the footfall. Around 43% of SVs reported selecting a location for vending based on daily footfall.

We found that the illegal and informal status of street vendors makes their livelihood more vulnerable in cities. The multidimensional vulnerability index (MVI) showed that around 21% of street vendors were acutely vulnerable, while more than 25% of SVs were vulnerable. We found that SVs with vulnerable status faced a 3.1% decline in average profit and acute vulnerability generated 12.2% less profit than the sample mean profit. The vulnerability-profit analysis indicates that socioeconomic vulnerability adversely impacted the profit margins of the street vendors.

The multivariate analysis showed that socioeconomic vulnerability had a negative and significant impact on monthly profits. The monthly profit was 12% lower for the “vulnerable” street vendors and 20% lower for the “acutely vulnerable” street vendors than for the “not vulnerable” street vendors. The empirical analysis showed that food, fruits, vegetables, and garments were the major profitable items sold by street vendors, constituting 62.5% of the market share in the street vending business. The empirical analysis showed that monthly profits were 13% higher in the “sector” markets than in the “non-sector” markets. This outcome reflects that profit margins are linked with the income status of residents of the vending area.

Around 57% of SVs were below the poverty line. The poverty rate was relatively high in the non-sector markets (62%) than in the sector markets (56%). We found that socioeconomic vulnerability correlated with poverty rates among sampled street vendors. The poverty profile in terms of poverty bands is helpful for policy formulation as it groups the population into different bands, which need different policy initiatives. We found that around 38% of SVs were ultra-poor, while approximately 13% of SVs were vulnerable poor. This reflected that more than one-third of the SVs faced massive poverty, while one-sixth of SVs were vulnerable to economic shocks.

Based on the analysis, the following implications are noted

- Promoting financial inclusion: The analysis shows that street vendors are poorly integrated with the financial sector to use financial services for business expansion. Financial exclusion undermines business transactions in two ways. First, it restricts business expansion due to low investment and cash transactions. Second, it hampers business prospects due to high lending costs from the informal sector – money lenders operating in the informal market. Financial exclusion occurs due to a lack of documentation due to migrant status, collateral to obtain financial services, and stringent legal requirements. Financial inclusion can be improved in the following ways:
 - Reduce the documentation requirements (so-called sludge) to facilitate street vendors, especially migrant workers, to obtain financial services. Mobile banking is an alternative to increase financial inclusion.

- The government may allow mobile accounts as collateral to lend loans to street vendors for business purposes. Microfinance institutions (MFIs) should use the mobile account as a security/collateral to expand microfinance.
- To address the demand-side issue of financial inclusion, it is proposed that MFIs may devise lending schemes as per an informal committee (informal lending without interest on a rolling basis) to attract street vendors to use the formal financial sector.
- Provide legal protection to street vendors: More than 98% of street vendors do not have legal protection to run their businesses. Illegality causes a significant economic loss to street vendors. It is proposed that the local administration introduces work permits to qualified street vendors on an annual basis to provide legal protection. These permits generate revenues for the government and help standardise street vending products to ensure quality. The work permit may be renewed yearly after providing quality protocols.
- Mechanism to formalise the income: Most business transactions (sales and purchases) occurred in cash, which allows tax evasion. The government may restrict the renewal of work permit annual income statements based on formal transactions. Street vendors with no formal transactions may not be allowed to renew their work permits. This helps to formalise the income transactions and ultimately enhance tax collection
- Reducing the cost of informality: As noted, more than 50% of the operational cost goes to the shopkeeper as the rent of using public space. The local administration should take appropriate measures to tag public spaces for street vending. Legal protection (mentioned in ii) may also help reduce the cost of informality.
- Address huge inaccessibility of women to urban markets: We observed that a few women are involved in street vending business in twin cities due to a lack of proper spaces for women. It is proposed that special spaces or zones may be allocated for women for the street vending business.

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APPENDICES

Table 1: Socioeconomic profile of street vendors

Variables	Sector-Market	Non-Sector-Market	All
SVs interviewed	1238	445	1683
Age of SV (years)	32.7	33.3	32.9
Household Size of SV (number)	8.2	8.1	8.1
Ever married (%)	75.3	75.5	75.3
Educational attainment of SV (%)			
No Education	23.2	26.5	24.1
Primary (class 1 to 5)	19.1	27.2	21.2
Middle (class 6 to 8)	21.2	17.5	20.3
Matric (class 9 to 10)	24.6	21.1	23.7
Intermediate & above	12.0	7.6	10.8
Residence status of SV (%)			
Migrant	62.5	52.1	59.8
Permanent	37.5	47.9	40.2
Living arrangements of SV (%)			
Live alone	34.9	36.6	35.4
Live with relatives	6.9	5.6	6.5
Live with family	58.2	57.8	58.1
Housing ownership of SV (%)			
Rented	92.33	83.6	90.02
Owned	7.67	16.4	9.98

Source: Author's calculation based on PSES.

Note: Sector markets include all commercial markets located in commercial areas (Markaz) of sectors in Islamabad. Non-sector markets include peri-urban markets located in Islamabad and commercial hubs (Raja Bazar and Commercial Market) located in Rawalpindi.

Table 2: Street vending characteristics

Variables	Sector-Market	Non-Sector-Market	All
Vending Experience (years)	10.5	10.5	10.5
Vending category (%)			
Cart	33.6	27.0	31.9
Table	60.6	62.9	61.2
Sheet/others	5.8	10.1	7.0
Ownership of cart/table (owned %)	83.9	85.2	84.3
Ownership of vending business (owned %)	83.8	93.7	86.4
Vending location or placement (%)			
In front of a shop	47.5	46.7	47.3
Sidewalk	48.2	51.9	49.2
In front of a plaza/other	4.3	1.4	3.5
Vending working hours (%)			
4-10 hours	16.56	8.09	14.32
More than 10 hours	83.44	91.91	85.68
Vending working days (%)			
Seven days	90.5	93.3	91.2
Less than seven days	9.5	6.7	8.8
Average employees including the owner (No)	1.19	1.07	1.16

Source: Author's calculation based on PSES.

Note: Sector markets include all commercial markets located in commercial areas (Markaz) of sectors in Islamabad. Non-sector markets include peri-urban markets located in Islamabad and commercial hubs (Raja Bazar and Commercial Market) located in Rawalpindi.

Table 3: Business operations: Formal-informal economic linkages

Variables	Sector-Market	Non-Sector-Market	All
Source of purchase of raw material/inputs (%)			
Wholesale/Distributor	70.8	67.9	70.0
Marketplace	23.9	30.8	25.7
Middleman/others	5.3	1.4	4.3
Product (sales items) storage place (%)			
On-spot	74.1	69.0	72.7
Warehouse	16.3	20.7	17.5
At home/others	9.6	10.3	9.8

Source: Author's calculation based on PSES.

Note: Sector markets include all commercial markets located in commercial areas (Markaz) of sectors in Islamabad. Non-sector markets include peri-urban markets located in Islamabad and commercial hubs (Raja Bazar and Commercial Market) located in Rawalpindi.

For currency conversion we assume 1 US\$ = PKR 155. Probabilities are reported in brackets.

Table 4: Business operations: Revenue, profit, and investment

Variables	Sector-Market	Non-Sector-Market	All	T-test [Pr(T > t)]
Monthly revenue (average)				
PKR	115553	112358	114708	0.72 [0.24]
US\$	746	725	740	
Monthly profit (average)				
PKR	33671	30860	32927	2.30 [0.01]
US\$	217	199	212	
Profit as % of total income (%)	29.1	27.5	28.7	
Investment (average)				
PKR	97034	64991	88562	4.21 [0.00]
US\$	626	419	571	
Sources of investment (%)				
Own money	59.0	62.7	60.0	
Family and friends	33.6	29.2	32.4	
Loan/committee/credit	7.4	8.1	7.6	
Inventory (average)				
PKR	84271	57489	77189	2.19 [0.01]
US\$	544	371	498	

Source: Author's calculation based on PSES.

Note: Sector markets include all commercial markets located in commercial areas (Markaz) of sectors in Islamabad. Non-sector markets include peri-urban markets located in Islamabad and commercial hubs (Raja Bazar and Commercial Market) located in Rawalpindi.

For currency conversion we assume 1 US\$ = PKR 155. Probabilities are reported in brackets.

Table 5: Business operations: Operational cost other than inputs

Variables	Sector-Market	Non-Sector-Market	All	T-test [Pr(T > t)]
Monthly operational costs (average)				
PKR	17894	13193	16651	5.42 [0.00]
US\$	115	85	107	
Head-wise operational costs (%)				
Shopkeeper	51.9	48.2	51.1	
CDA/RDA charges	1.9	3.6	2.3	

Cleaning	0.4	0.4	0.4
Utilities	8.5	3.4	7.5
Market Committee	0.1	0.5	0.2
Transportation	14.3	10.8	13.5
Others	22.9	33.1	25.0

Source: Author's calculation based on PSES.

Note: Sector markets include all commercial markets located in commercial areas (Markaz) of sectors in Islamabad. Non-sector markets include peri-urban markets located in Islamabad and commercial hubs (Raja Bazar and Commercial Market) located in Rawalpindi.

For currency conversion, we assumed 1 US\$ = PKR 155. Probabilities are reported in brackets.

Table 6: Financial Inclusion and business operation

Variables	Sector-Market	Non-Sector-Market	All	T-test [Pr(T > t)]
Bank account (%)	13.1	6.3	11.3	3.90 [0.00]
Bank account purpose (%)				
Payment to traders	25.3	17.9	24.2	
Savings	50.6	50.0	50.5	
Sending money home	24.1	32.1	25.3	
Mobile account (%)	47.0	56.2	49.4	-3.32 [0.00]*
Mobile account purpose (%)				
Payment to traders	36.1	37.6	36.5	
Savings	13.8	12.0	13.2	
Sending money home	50.2	50.4	50.2	

Source: Author's calculation based on PSES.

Note: Sector markets include all commercial markets located in commercial areas (Markaz) of sectors in Islamabad. Non-sector markets include peri-urban markets located in Islamabad and commercial hubs (Raja Bazar and Commercial Market) located in Rawalpindi.

Probability values are reported in brackets.

*[Pr(T < t)]

Table 7: Business operations: Loan

Variables	Sector-Market	Non-Sector-Market	All	T-test [Pr(T > t)]
Loan taken by SV (%)	34.3	33.9	34.2	
Loan amount (average)				
PKR	138929	119623	133868	1.20 [0.11]
US\$	896	772	864	
Sources of loan (%)				
Family and Friends	58.6	40.4	53.8	
Informal lending	36.5	53.0	40.8	
Bank/microfinance	4.9	6.6	5.4	

Source: Author's calculation based on PSES.

Note: Sector markets include all commercial markets located in commercial areas (Markaz) of sectors in Islamabad. Non-sector markets include peri-urban markets located in Islamabad and commercial hubs (Raja Bazar and Commercial Market) located in Rawalpindi.

For currency conversion we assume 1 US\$ = PKR 155. Probabilities are reported in brackets.

Table 8: Confiscation and eviction

Variables	Sector-Market	Non-Sector-Market	All	T-test [Pr(T > t)]
Ever evicted (%)	67.3	59.3	65.2	3.02 [0.00]
Received the receipt of confiscated material (%)	23.2	32.6	25.4	-3.06 [0.00]*
Confiscated material returned (%)				
No	16.2	12.1	15.2	
Seldom return	52.7	40.2	49.7	
Yes	31.1	47.7	35.1	
Cart/table remains intact (%)	38.3	40.5	38.8	-0.64 [0.74]*
Days to return material (average days)	7.7	6.2	7.3	1.86 [0.03]
Average penalty (average)				
PKR	1525	1115	1417	2.90 [0.00]
US\$	10	7	9	
Loss in inventory due to eviction (%)				
Less than 25%	19.81	32.20	22.79	
Between 25% to 50%	40.94	27.65	37.74	
50% and above	39.26	40.15	39.47	

Source: Author's calculation based on PSES.

Note: Sector markets include all commercial markets located in commercial areas (Markaz) of sectors in Islamabad. Non-sector markets include peri-urban markets located in Islamabad and commercial hubs (Raja Bazar and Commercial Market) located in Rawalpindi.

For currency conversion we assume 1 US\$ = PKR 155. Probabilities are reported in brackets.

*[Pr(T < t)]

Table 9: Economic loss of eviction faced by street vendors due to informality

Variables	Sector-Market	Non-Sector-Market	All	T-test [Pr(T > t)]
Net loss in inventory (average)				
PKR	45863	27339	41405	1.38 [0.08]
US\$	296	176	267	
Average penalty (average)				
PKR	1525	1115	1417	2.90 [0.00]
US\$	10	7	9	
Revenue loss (average)				
PKR	29603	23294	28038	0.72 [0.24]
US\$	191	150	181	
Economic loss of informality (average)				
PKR	76991	51749	70860	
US\$	497	334	457	
Cost of informality as a % monthly revenue	66.6	46.1	61.8	
Cost of informality as a % of monthly profit	229	168	215	

Source: Author's calculation based on PSES.

Note: Sector markets include all commercial markets located in commercial areas (Markaz) of sectors in Islamabad. Non-sector markets include peri-urban markets located in Islamabad and commercial hubs (Raja Bazar and Commercial Market) located in Rawalpindi.

For currency conversion we assume 1 US\$ = PKR 155. Probabilities are reported in brackets.

Economic loss of informality is the sum of loss incurred due to inventory loss, penalty imposed by the local administration and revenue loss due to business closure. We use information reported in Table 8 on loss in inventory and average time (days) to return material and information reported in Table 4 on monthly revenue and average inventory.

Table 10: Political economy of the vending location

Variables	Sector-Market	Non-Sector-Market	All	T-test [Pr(T > t)]
Who decided about vending location (%)				
Shopkeeper	47.7	42.0	46.2	
Own Decision	45.4	53.3	47.5	
CDA/Market Committee/Previous Vendor	7.0	4.7	6.4	
Negotiations required with old vendors for location (%)	17.8	7.0	14.9	5.53 [0.00]
Supportive role of market association in locating decision (%)	10.5	3.0	8.4	5.12 [0.00]
Willing to relocate if offered (%)	30.0	27.6	29.4	0.59 [0.17]
Reasons for selecting vending location (%)				
Higher footfall	39.82	52.81	43.26	
Space availability	26.82	25.17	26.38	
Networking with stakeholders and other vendors	33.36	22.02	30.36	

Source: Author’s calculation based on PSES.

Note: Sector markets include all commercial markets located in commercial areas (Markaz) of sectors in Islamabad. Non-sector markets include peri-urban markets located in Islamabad and commercial hubs (Raja Bazar and Commercial Market) located in Rawalpindi.

Table 11: Factor affecting street vendor’s profit: Multivariate analysis

	(1)	(2)	(3)	(4)	(5)
Socio-economic vulnerabilities (Not vulnerable as the base category)					
Mild vulnerability	-0.048 (0.042)				-0.034 (0.042)
Vulnerability	-0.131 (0.045)***				-0.126 (0.045)***
Acute vulnerability	-0.238 (0.047)***				-0.225 (0.047)***
Sales product (Electronics/Mobile accessories/Others as the base category)					
Food		0.111 (0.054)**			0.109 (0.053)**
Fruits/Vegetables		0.177 (0.059)***			0.216 (0.058)***
Beverages/juices		0.044 (0.080)			0.067 (0.079)
Garments		0.137 (0.055)**			0.143 (0.055)***
Ladies’ bags/jewellery		0.030 (0.077)			0.036 (0.075)
Plastic items/cosmetics/leathers		-0.061 (0.066)			-0.037 (0.066)
Shoes/Sunglasses/Watches		-0.042 (0.060)			-0.029 (0.059)
Market for business operation (Non-sector market as the base category)					
Sector Market			0.103 (0.030)***		0.119 (0.030)***
Reasons to start street vending business (Others is the base category)					
Unemployment				0.221 (0.110)**	0.211 (0.107)**

Job Termination				0.364 (0.141)***	0.353 (0.138)**
Own will				0.217 (0.111)*	0.209 (0.109)*
Good Business Opportunity				0.413 (0.144)***	0.412 (0.141)***
Family Business				0.410 (0.126)***	0.410 (0.123)***
No Formal Education				0.224 (0.111)**	0.243 (0.109)**
Constant	10.360 (0.037)***	10.180 (0.048)***	10.181 (0.026)***	10.025 (0.108)***	9.944 (0.122)***
Observations	1,674	1,674	1,674	1,674	1,674
R-squared	0.023	0.022	0.007	0.011	0.064

Source: Author's calculation based on PSES.

Note: OLS-based estimates are presented. We present standard errors in parenthesis [*** p<0.01, ** p<0.05, * p<0.1]. The dependent variable is the monthly profit earned by street vendors (reported profit) in log form.

Table 12: Factors affecting profits of street vendors: Market-wise analysis

VARIABLES	(1) Sector Market	(2) Non-sector Market
Socio-economic vulnerabilities (Not vulnerable as the base category)		
Mild vulnerability	-0.035 (0.047)	-0.025 (0.093)
Vulnerability	-0.119 (0.050)**	-0.128 (0.099)
Acute vulnerability	-0.207 (0.052)***	-0.262 (0.102)**
Sales product (Electronics/Mobile accessories/Others as the base category)		
Food	0.108 (0.058)*	0.124 (0.135)
Fruits/Vegetables	0.177 (0.069)**	0.241 (0.124)*
Beverages/juices	0.068 (0.089)	0.062 (0.171)
Garments	0.165 (0.061)***	0.088 (0.126)
Ladies' bags/jewelry	0.028 (0.083)	0.077 (0.176)
Plastic items/cosmetics/leathers	-0.078 (0.076)	0.035 (0.138)
Shoes/Sunglasses/Watches	0.015 (0.066)	-0.156 (0.134)
Reasons to start street vending business (Others is the base category)		
Unemployment	0.210 (0.118)*	0.222 (0.254)
Job Termination	0.446 (0.155)***	0.130 (0.307)
Own will	0.214 (0.119)*	0.190 (0.257)
Good Business Opportunity	0.400 (0.149)***	0.546 (0.471)
Family Business	0.395 (0.138)***	0.445 (0.282)

No Formal Education	0.228 (0.120)*	0.285 (0.257)
Constant	10.057 (0.130)***	9.952 (0.293)***
Observations	1,231	443
R-squared	0.054	0.089

Source: Author’s calculation based on PSES.

Note: OLS-based estimates are presented. We present standard errors in parenthesis [*** p<0.01, ** p<0.05, * p<0.1]. The dependent variable is the monthly profit earned by street vendors (reported profit) in log form.

Table 13: Factors affecting the profits levels of street vendors

VARIABLES	(1) Full sample	(2) Sector Market	(3) Non-sector Market
Socio-economic vulnerabilities (Not vulnerable as the base category)			
Mild vulnerability	-0.032 (0.042)	-0.033 (0.047)	-0.020 (0.094)
Vulnerability	-0.121 (0.045)***	-0.111 (0.050)**	-0.132 (0.099)
Acute vulnerability	-0.217 (0.047)***	-0.199 (0.052)***	-0.246 (0.103)**
Sales product (Electronics/Mobile accessories/Others as the base category)			
Food	0.126 (0.055)**	0.123 (0.059)**	0.140 (0.140)
Fruits/Vegetables	0.234 (0.060)***	0.180 (0.069)***	0.306 (0.130)**
Beverages/juices	0.070 (0.079)	0.070 (0.090)	0.086 (0.172)
Garments	0.124 (0.055)**	0.143 (0.061)**	0.077 (0.130)
Ladies’ bags/jewelry	0.006 (0.076)	-0.007 (0.083)	0.059 (0.181)
Plastic items/cosmetics/leathers	-0.048 (0.066)	-0.089 (0.076)	0.031 (0.142)
Shoes/Sunglasses/Watches	-0.052 (0.060)	-0.012 (0.067)	-0.163 (0.137)
Reasons to start street vending business (Others is the base category)			
Unemployment	0.228 (0.107)**	0.235 (0.117)**	0.163 (0.256)
Job Termination	0.375 (0.138)***	0.482 (0.155)***	0.069 (0.308)
Own will	0.231 (0.109)**	0.246 (0.119)**	0.133 (0.258)
Good Business Opportunity	0.433 (0.140)***	0.425 (0.149)***	0.557 (0.471)
Family Business	0.425 (0.124)***	0.415 (0.138)***	0.390 (0.284)
No Formal Education	0.262 (0.109)**	0.255 (0.120)**	0.226 (0.259)
Constant	9.993 (0.124)***	9.978 (0.134)***	9.869 (0.297)***
Observations	1,674	1,231	443
R-squared	0.086	0.083	0.098
Fixed Effect	Yes	Yes	Yes

Source: Author’s calculation based on PSES.

Note: The Fixed Effect based estimates are presented. We present standard errors in parenthesis [*** p<0.01, ** p<0.05, * p<0.1]. The dependent variable is the monthly profit earned by street vendors (reported profit) in log form. We use street vendors' locations as fixed effect factors.

Table 14: Poverty implications of street vending

Variables	Sector-Market	Non-Sector-Market	All	T-test [Pr(T < t)]
Street vendors below the poverty line (%)	55.6	62.2	57.3	-2.44 [0.00]
Socio-economic vulnerabilities and poverty (%)				
No vulnerability	41.8	50.0	43.6	
Mild vulnerability	52.5	54.1	53.0	
Vulnerability	56.4	64.9	58.6	
Acute vulnerability	69.3	81.9	72.7	

Source: Author's calculation based on PSES.

Note: Sector markets include all commercial markets located in commercial areas (Markaz) of sectors in Islamabad. Non-sector markets include peri-urban markets located in Islamabad and commercial hubs (Raja Bazar and Commercial Market) located in Rawalpindi.

Table 15: Impact of COVID-19 pandemic on street vending business

Variables	Sector-Market	Non-Sector-Market	All	T-test [Pr(T > t)]
Impact level on business (%)				
Adverse impact	86.6	88.3	87.1	
Moderate impact	12.6	10.1	11.9	
No impact	0.8	1.6	1.0	
Income loss due to COVID-19 lockdown (%)				
Less than or equal to 50% loss	14.5	8.3	12.9	
Between 50% and 100% loss	41.1	39.6	40.7	
100% loss	44.4	52.1	46.4	
Vaccinated –Yes (%)	13.8	13.0	13.4	0.45 [0.32]

Source: Author's calculation based on PSES.

Note: Sector markets include all commercial markets located in commercial areas (Markaz) of sectors in Islamabad. Non-sector markets include peri-urban markets located in Islamabad and commercial hubs (Raja Bazar and Commercial Market) located in Rawalpindi.

Probability values are reported in brackets.

Table 16. Total Number of Street Vendors in Pakistan

Province	Street Vendors	Per cent
Balochistan	14,502	1.92
Islamabad	5,964	0.79
KP	76,577	10.16
Punjab	509,878	67.65
Sindh	146,769	19.47
All	753,690	100.00

Source: Author's calculation based on LFS Data

Table 17: Dimensions and indicators of multidimensional vulnerability index (MVI)

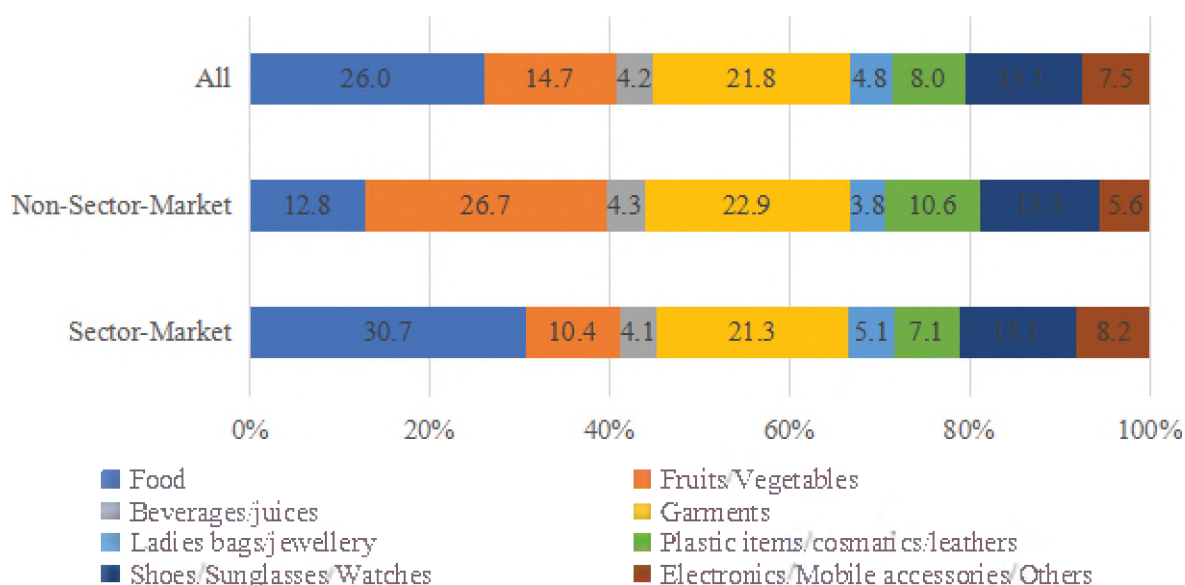
Dimension	Indicator	Vulnerable if	Weight	Theoretical justification
V1: Social	VE1: Education	SV has no matric or beyond education	1/15	Education determines the ability of an individual to exploit economic and other opportunities to expand business and enhance income (Esayas & Mulugeta, 2020; Jiménez, Palmero-Cámara, González-Santos, González-Bernal, & Jiménez-Eguizábal, 2015).
	VE2: Residence	SV is a migrant worker	1/15	Migrant workers are subject to discrimination such as paying less, hence vulnerable to expanding business (Moyce & Schenker, 2018).
	VE3: Living	SV lives in a rented house	1/15	Homeownership provides economic security by showing residential stability and social standing (Zavisca & Gerber, 2016). Living in a rented house may negatively affect income via rent escalation (Esayas & Mulugeta, 2020).
	VE4: Age	SV is young (age less than 20) or getting older (age>45)	1/15	Age reflects the experience of an individual to earn income (Iqbal & Awan, 2015). Being younger or older may increase vulnerability (Esayas & Mulugeta, 2020).
	VE5: Martial status	SV is currently not married	1/15	Married men performed better compared to single men (Mehay & Bowman, 2005). Married vendors perform better than unmarried (Esayas & Mulugeta, 2020).
V2: Vending	VE6: Vending time	Working hours are higher than 10 hours a day	1/12	Long working hours have a negative effect on health and productivity (Park et al., 2020). Suggesting a better/low overall hourly rate average net profit (Esayas & Mulugeta, 2020).
	VE7: Ownership status	SV is not the owner of the vending business	1/12	SV with a fully owned status helps to run the business independently (Esayas & Mulugeta, 2020).
	VE8: Eviction	SV faced harassment, eviction, confiscation, etc.	1/12	Businesses more/less vulnerable to loss (Esayas & Mulugeta, 2020).
	VE9: Legal status	SV has no vending license	1/12	Businesses more/less vulnerable to loss (Esayas & Mulugeta, 2020).
V3: Economic	VE10: Income	SV's self-reported monthly income is lower than the sample average.	1/12	Income is a proxy of business profitability (Esayas & Mulugeta, 2020).

	VE11: Experience	Duration of stay in vending business is less than five years	1/12	High/ low mastery of vending business (Esayas & Mulugeta, 2020).
	VE12: Loan	SV took loan	1/12	This reflects a lack of personal savings/investment to start a business. SVs feel financially insecure (Esayas & Mulugeta, 2020).
	VE13: Bank account	SV has no bank account	1/12	Financial inclusion allows SVs to expand business (Irakunda & Van Bergeijk, 2020)

Source: Author's formulation.

Note: We follow the framework developed by Esayas and Mulugeta (2020) with some modifications to select indicators.

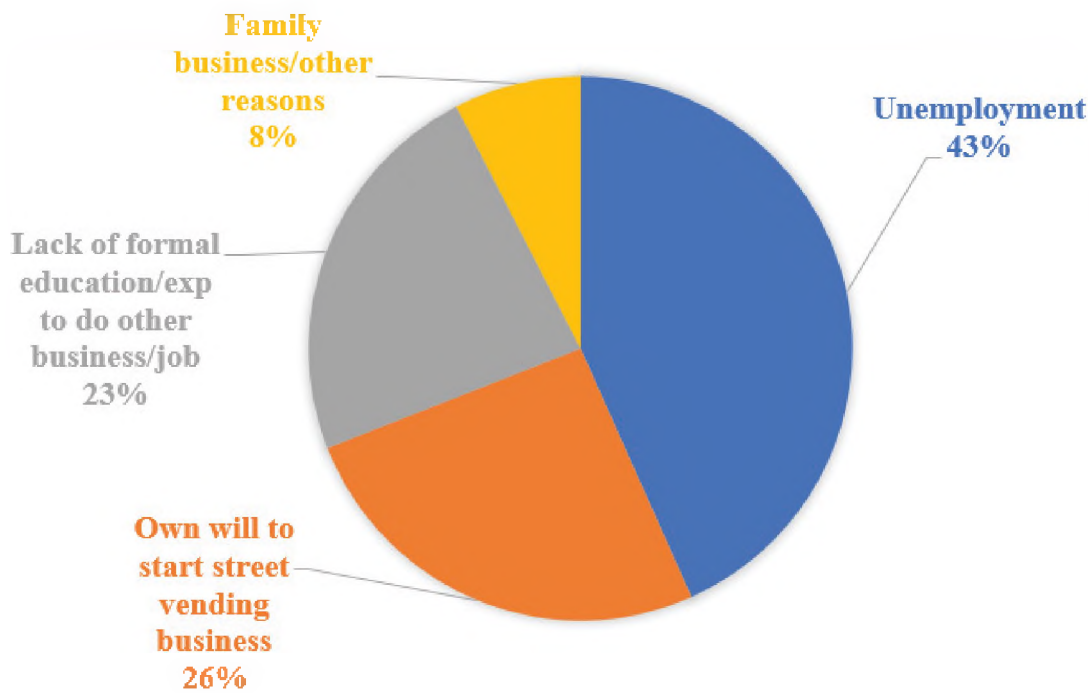
Figure 1: Sale items offered by street vendors



Source: Author's formulation based on PSES.

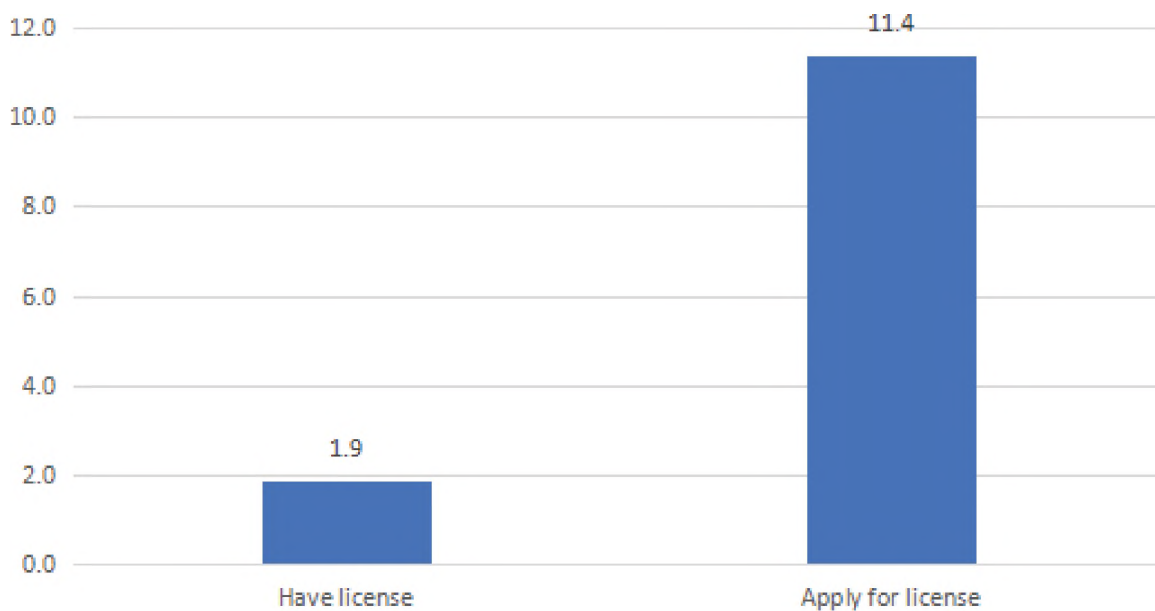
Note: Sector markets include all commercial markets located in commercial areas (Markaz) of sectors in Islamabad. Non-sector markets include peri-urban markets located in Islamabad and commercial hubs (Raja Bazar and Commercial Market) located in Rawalpindi.

Figure 2: Reasons for starting a street vending business



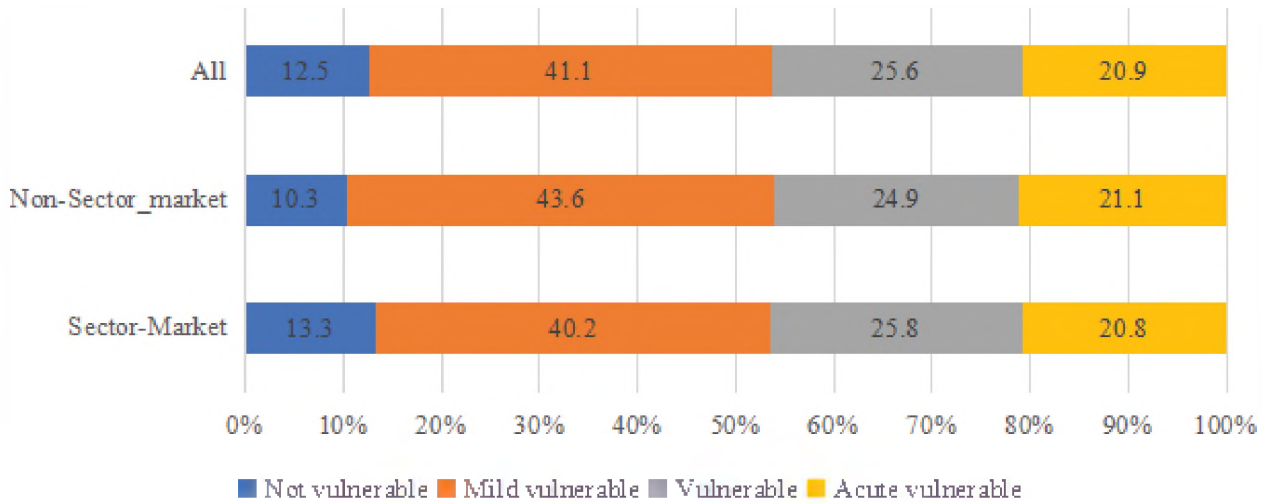
Source: Author’s formulation based on PSES.

Figure 3: Share of street vendors having a vending license or applied for a license (%share)



Source: Author’s formulation based on PSES.

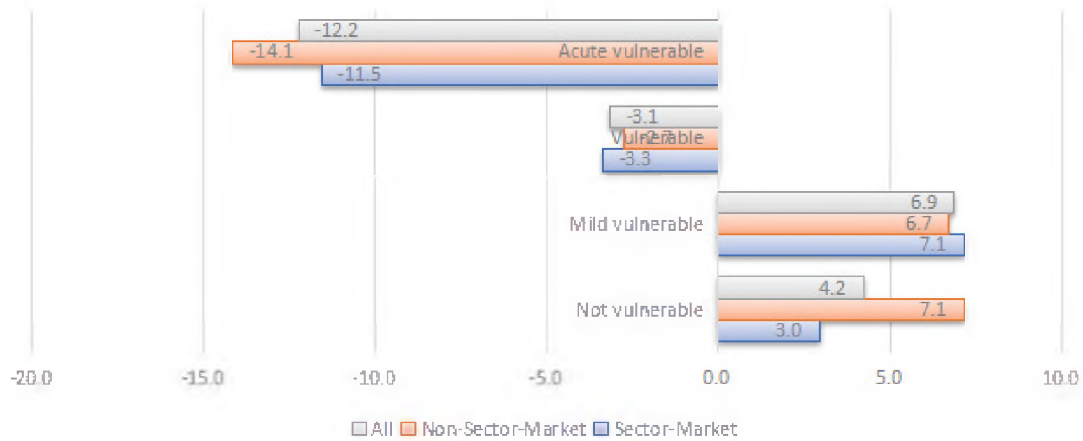
Figure 4: Distribution of multidimensional vulnerability among street vendors



Source: Author’s formulation based on PSES.

Note: Sector markets include all commercial markets located in commercial areas (Markaz) of sectors in Islamabad. Non-sector markets include peri-urban markets located in Islamabad and commercial hubs (Raja Bazar and Commercial Market) located in Rawalpindi.

Figure 5: Percentage changes in profit from the mean across different levels of vulnerability

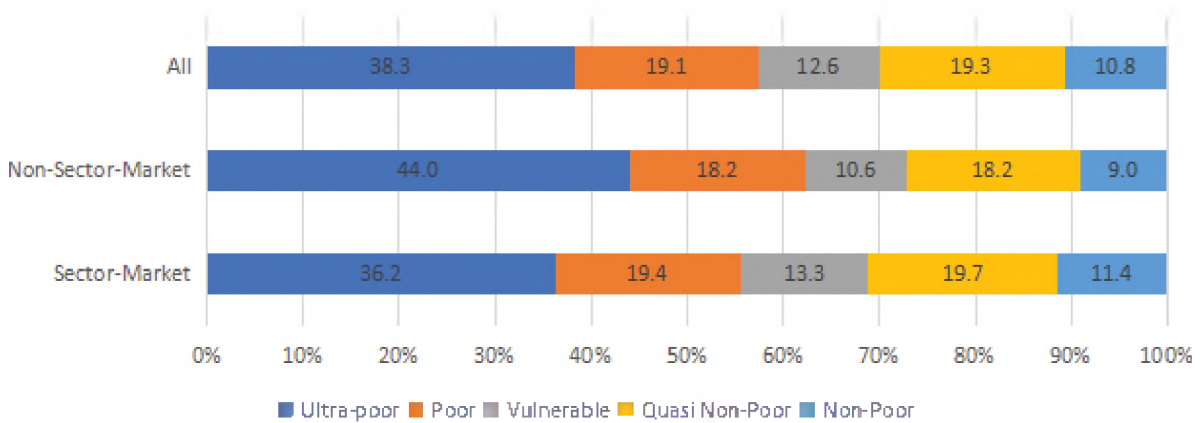


Source: Author’s formulation based on PSES.

Note: Sector markets include all commercial markets located in commercial areas (Markaz) of sectors in Islamabad. Non-sector markets include peri-urban markets located in Islamabad and commercial hubs (Raja Bazar and Commercial Market) located in Rawalpindi.

Percentage changes in profit are defined as the %age difference between the sample mean value of profit and the mean value of profit in a specific vulnerability level. $\Delta\pi = \left(\frac{\pi_{mean_level}}{\pi_{samplemean}} \right) * 100$. Where $\Delta\pi$ represents the percentage change in profit, $\pi_{samplemean}$ denotes sample mean (profit) and $\pi_{(mean_level)}$ presents mean profit at a specific level.

Figure 6: Poverty band and street vending

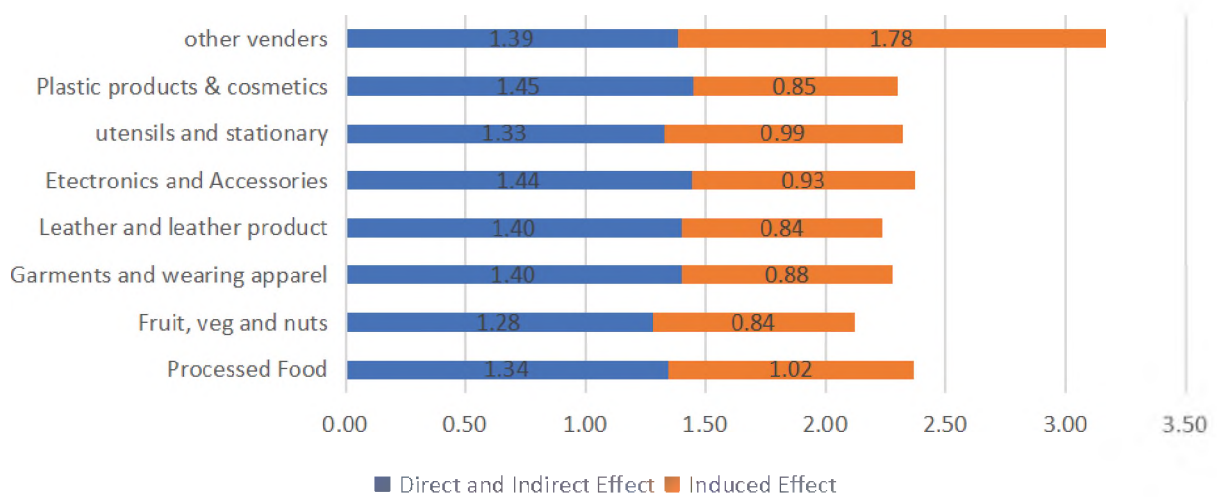


Source: Author’s formulation based on PSES.

Note: Sector markets include all commercial markets located in commercial areas (Markaz) of sectors in Islamabad. Non-sector markets include peri-urban markets located in Islamabad and commercial hubs (Raja Bazar and Commercial Market) located in Rawalpindi.

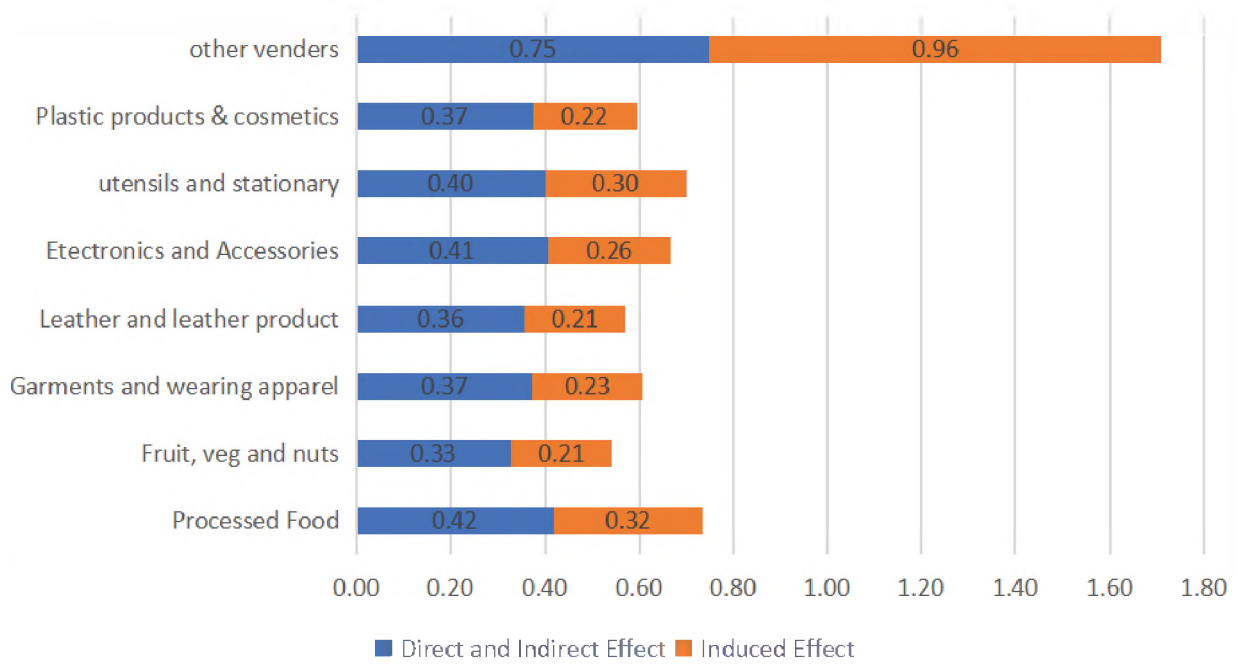
Poverty bands are defined using per capita household income as defined by Planning Commission in National Poverty Report 2015-16 (GoP, 2018; Iqbal, 2020). Ultra-poor (<75% of Poverty Line) Poor (> 75% and < 100% of Poverty Line); Vulnerable (> 100% and < 125% of Poverty Line); Quasi Non-Poor (> 125% and < 200% of Poverty Line) and Non-Poor (> 200% of Poverty Line).

Figure 7: Output-multiplier based on IO modelling



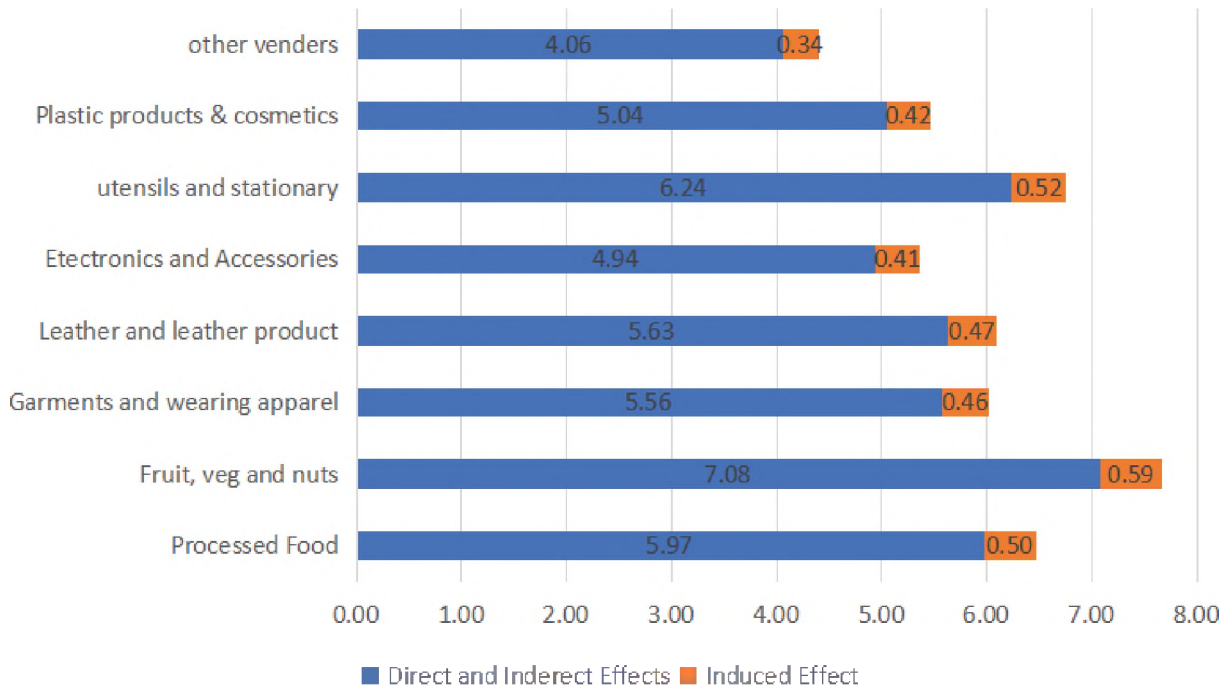
Source: Author’s formulation based on PSES.

Figure 8: Income-multiplier based on IO modelling



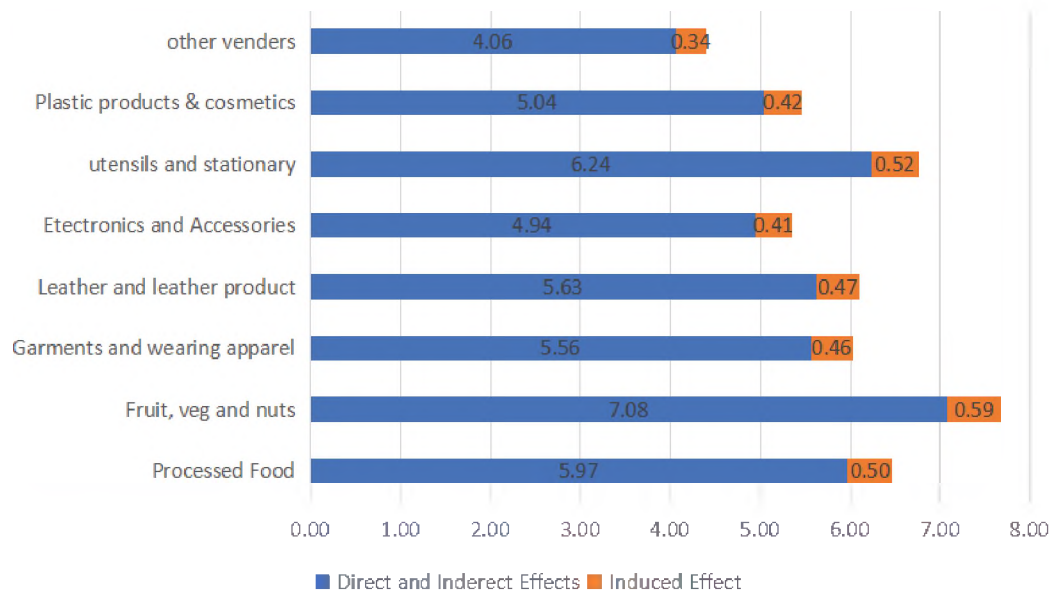
Source: Author’s formulation based on PSES.

Figure 9: Value-added multiplier based on IO modelling



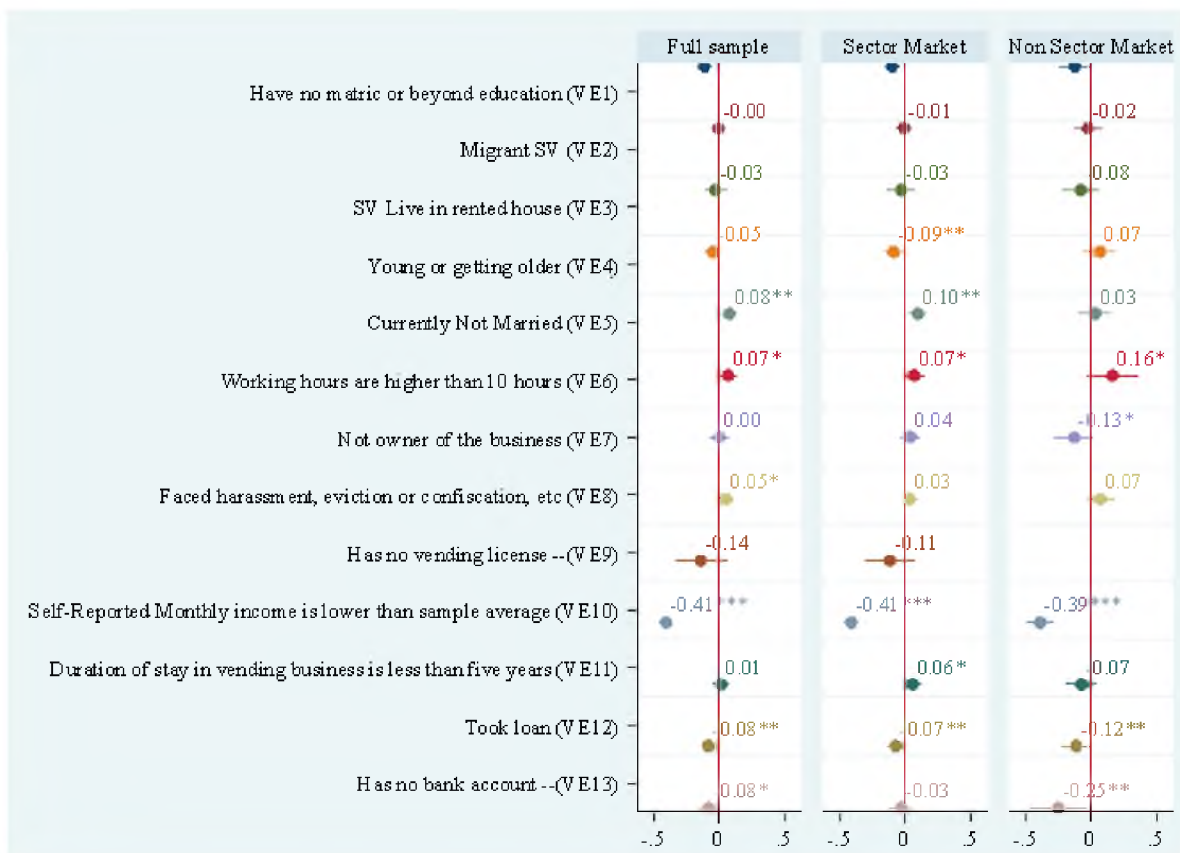
Source: Author’s formulation based on PSES.

Figure 10: Physical employment multiplier based on IO modelling ×10000



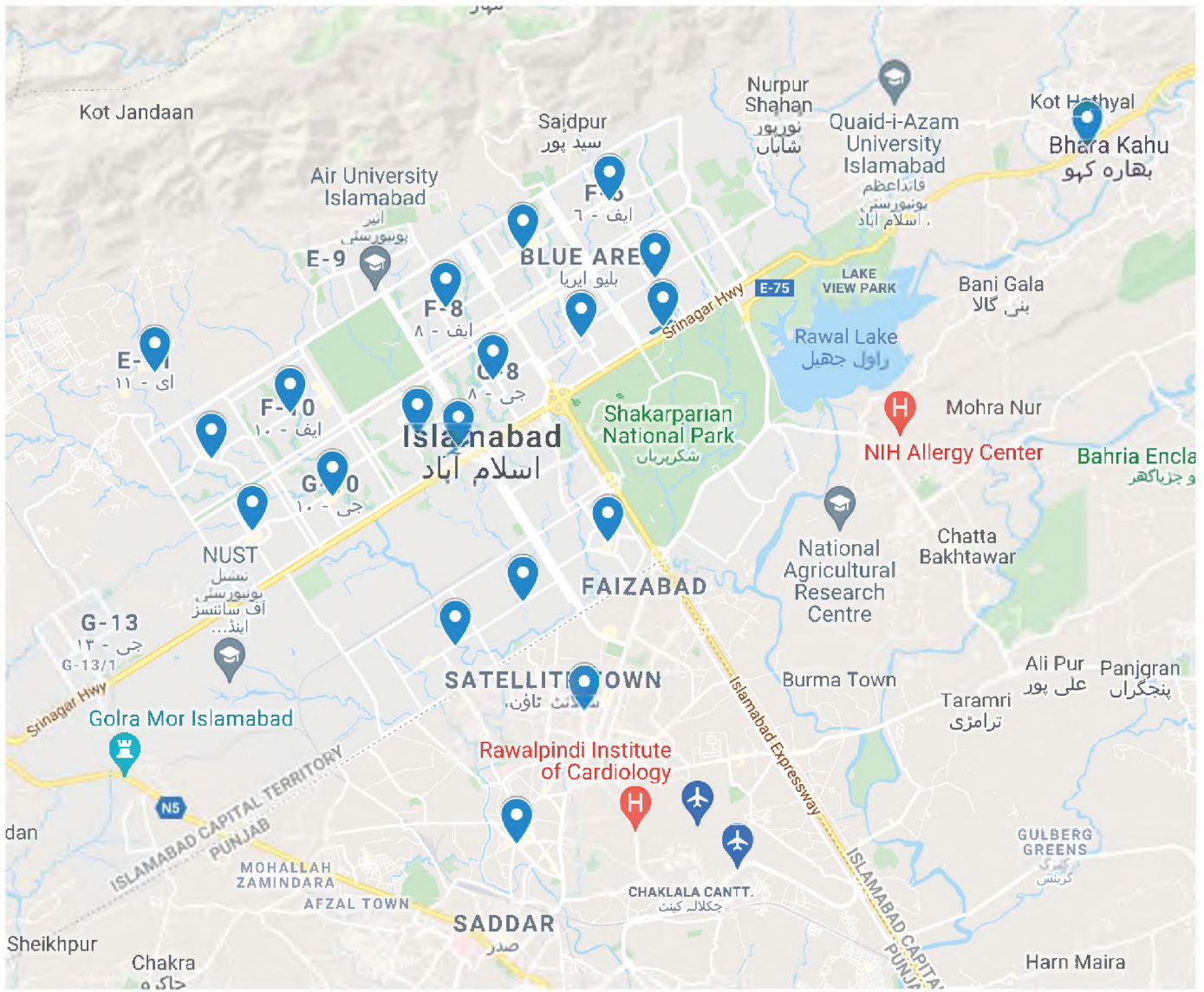
Source: Author’s formulation based on PSES.

Figure 11: Factors affecting profitability: Regression analysis



Source: Author’s regression estimates based on PSES. Coefficients are reported. [*** p<0.01, ** p<0.05, * p<0.1]. The dependent variable is the monthly profit earned by street vendors (reported profit) in log form

Map 1: Sampling locations



Source: Google maps (online,2022)

PART II

MARKETS & REGULATIONS

Policy Briefs



REGULATORY FRAMEWORK AND BEHAVIORAL ISSUES OF THE INFORMAL KHOKHAS' MARKETS IN PAKISTAN

Anwar Shah and Tehseen Ahmad Qureshi

INTRODUCTION

This research analyses the regulatory framework of the informal khokhas market in Pakistan and examines whether such a framework facilitates or bars entry into the khokhas market. In addition, we examine the behavioural issues one has to face in the khokhas market. In particular, we want to know, whether the legal framework of the informal khokhas market is more deterring than the behavioural issues one has to face here. We assume that both types of issues have implications for making the informal khokhas market competitive and efficient.

METHODOLOGY

This is a qualitative study. We first reviewed the legal framework of the khokhas market in Pakistan. For this, we studied the legal framework documents, if any. We also met people in various departments related to khokhas such as food authorities, development Authorities, municipal authorities, local administration, police departments, lawyers, local bodies representatives, the political representatives of khokha organisations, etc. For understanding behavioural issues, we collected primary data from individuals currently running khokhas or who exited from such a business. The survey was conducted in 5 cities of Pakistan, that is, Islamabad, Rawalpindi, Peshawar, Lahore, and Mingora Swat.

KEY FINDINGS

There is no legislation at the federal or provincial level for the khokhas market due to which there exists no mechanism for issuing and trading licenses of khokhas. This makes the whole informal street economy unorganised leading to various issues

for economy unorganised leading to various issues for the local and city administration, such as congestion, traffic jams, obstruction of roads sides and pathways, etc. In contrast, there exist detailed and well-defined legal frameworks that deal with khokhas markets in India, the Philippines, Thailand, and other South and North American countries. We need to learn from the framework of such countries and come up with legislation at the federal and provincial levels.

Due to the absence of a legal framework, all entrepreneurs who desire to establish khokhas, enter the street economy at the risk of losses in the form of confiscation, bribes, threats, etc. Islamabad is the only city in Pakistan that has framed some form of a policy for khokha owners. However, instead of making such a policy a role model for the rest of the country, Capital Development Authority (CDA) has put a ban on issuing new licenses since 2011 and even all old licenses have been cancelled. Due to the absence of proper rules for obtaining a permit for establishing a khokha, new entrepreneurs enter this market at their own risk. Therefore, they face, constantly, the fear of demolition, fines, confiscations, and arrest. The absence of proper rules provides room for regular harassment of current vendors by public authorities. And sometimes the carts of vendors are confiscated. We found that confiscation of goods and carts is considered a bigger issue than the cash bribery by khokha owners in all cities. On average, 10 per cent of the revenue generated by vendors is consumed on recovery of confiscation losses, payment of fines, and bribery per month.

POLICY RECOMMENDATIONS

Based on the review of laws related to street vending

in India, the Philippines, Thailand, and selected South and North American countries, the following set of policy recommendations are suggested for designing a comprehensive legal framework for the khokhas market in Pakistan.

Vending Site Selection Authority: Before setting up a khokha, the foremost issue is the selection of a vending site. A few countries such as Peru, India and the Philippines have established authorities at the market, ward or zone levels for identifying such sites. In Peru, they have legally defined vending-encouraged, vending-permissible, and no-vending sites. In some countries, the allocation committee include members from vending association to ensure inclusivity in decisions making. Per documents, the CDA believes that khokhas are damaging the natural beauty of Islamabad in some places. The solution is to preserve such places by earmarking them as non-vending zones.

Identity Verification and Background Check: Almost every country with a legal framework for khokhas requires the applicant to be at least 18 years of age. In the Philippines, it is 21 years. In South Africa, licensing authorities are authorised to obtain the record of any conviction of applicants for vending licenses.¹ In Pakistan, we can also introduce such checks for the eligibility criteria for those who desire to set up a khokha in any city. This is to be noted that one of the major reasons behind the demolition of khokhas in Islamabad was the claim that criminals had entered the khokha business.

Fixed vs Mobile Vending: The concept of mobile food trucks is very common in New York, Singapore, Bangkok and other cities of the world. In Buenos Aires, separate permits are issued for mobile and fixed vendors.² The same can be done in Pakistan by introducing both types of permits. Mobile vendors cater to the needs of customers of different areas, while fixed vendors benefit consumers as they can find their preferred vendor daily in the same area.

Open vs Restricted Licensing: A major question that arises in any street vending framework is the upper limit on the issuance of licenses. Should there be an unlimited number of vending licenses, or should it be restricted? Even if restricted, should the restriction be

at the city level or the neighbourhood level? For instance, in New York, the City Administrative Code restricted the total number of food vendor licenses to 2,900.³ This resulted in a waiting list of thousands and bleak chances of obtaining licenses for new entrants. An unlimited number of licenses can create overcrowding in the cities, occupying public spaces and leaving little for pedestrians. Therefore, the legal framework in Pakistan should come up with a reasonable cap on khokha licenses. However, it should be revised at least once in three years as per the market needs and the number of applicants. In addition, the trading of permits in open markets should be initiated so that permits are distributed efficiently in case the initial distribution was not efficient.

Registration with Health and Tax Departments: Many jurisdictions in Europe and North America require multiple licenses before authorisation of work to street vendors. In New York, a vendor requires two licenses from the Department of Health, i.e., a food vendor license and a mobile cart license.⁴ Furthermore, all vendors in New York are required to be registered with the sales tax registration authority. This ensures that health and safety practices are being followed as well as the government is not deprived of revenue. The Federal Board of Revenue (FBR) Pakistan has also launched a drive to register small businesses with sales tax. The registration of street vendors can also become a beneficial step in this regard. However, the government should devise a discounted sales tax for street vendors because of the nature of their customers, who are mostly from lower segments of society.

Transparency and Accountability: There should be minimum discretion at the hands of licensing authority to grant the licenses. As seen in CDA 1986 policy, a 20 per cent quota was set under the discretion of a CDA board. Discretion is against the rules of transparency and fairness. In South Africa, business laws state that a license must be granted to the applicant unless he fails to fulfil the requirement.⁵ However, the authority can deny licenses by changing the requirements from time to time. In some cases, higher discretion allows flexibility in rules but may result in the issuance of a large number of licenses. In addition, to safeguard the rights of vendors, the

¹ Businesses Act, supra note 53, at (2) (5) (a)-(b).

² Buenos Aires Ley 1166, supra note 94, 11.1.9

³ Street Vending, available at

http://www.nyc.gov/html/sbs/nycbiz/downloads/pdf/educational/sector_guides/street_vending.pdf

⁴ Sidewalk Standoff: Street Vendor Regulations are Costly, Confusing, and Leave Many Disgruntled, (2010), p. 2.

⁵ Businesses Act, supra note 53, at (2)(4) and (2)(6)(a).

applicants and license holders should be given the right to challenge the verdict of the authority as is the case in South Africa.

vendors is also heard in the provision of services and use of funds.

Subletting: In most of the reviewed laws such as that of the Philippines, India, and Thailand, subletting of licenses is strictly prohibited. This prohibition stems from the concept of fairness. Vending space is a scarce resource and should be distributed based on equity. In Islamabad, we found that few licensed khokha owners have subleased the khokha at very high rents, whereas they pay a nominal rent to the CDA. This leads to rent-seeking and the exploitation of poor people.

Prevention of Monopolisation: Sometimes suppliers use the vending license to extend their sales. For this purpose, the applicant should not be employed by his supplier or should not be a registered small business. In Peru, the law prohibits individuals employed by suppliers or small businesses to apply for street vending licenses.⁶ In New York, the 1995 city council voted for a 'one person-one permit.'⁷ Such rules ensure that corporations do not exploit the vending licenses by operating hundreds of stalls across major locations and paying very minimal to their employees. The one-person one-license rule can be practised in Pakistan as well so that the most deserving individuals may benefit.

Provision of Services: The vendors require various services such as solid waste disposal, toilets, electricity, warehouse and storage, drinking water, signages, and other facilities. In the Indian Street Vendor Act, all these services are supposed to be provided by a town vending committee. It is important to note that if such services are self-financed from the fees paid by the vendors, vendors would have to pay a higher percentage of their income in fees and taxes. Moreover, it is also essential to understand that provision of services by a national authority may bring uniformity across all areas but services by local authority can cater to local needs. However, the availability of funds with local authorities has remained a major bottleneck in Pakistan. Furthermore, the decision to use the fees collected from vendors for the provision of services is with a municipal board that has members from vendor associations. This way, the voice of local

⁶ Lima Ordenanza 002; Reglamento de Quito, supra note 65, art. 12

⁷ Urban Justice, Street Vendors Unite!

Recommendations for Improving the Regulations on Street Vending in New York City, at 4, available at <http://www.urbanjustice.org/pdf/publications/VendorsUnite.pdf>.

STREET VENDING ECONOMY IN TWIN CITIES: AN ECONOMIC ANALYSIS

Nasir Iqbal, Saima Nawaz
and Muhammad Aqeel Anwar

BACKGROUND

Pakistan has a large street economy (SE) operated mainly by street vendors (SVs), mostly in urban areas.¹ The SE has a strong linkage with a supply chain comprising both formal and informal players (Bromley, 2000; Recchi, 2021). SVs are just at the retail end of a rather complex supply chain (Haque, 2020; Moosvi, 2021).

Despite the massive penetration of SVs in the urban markets, the economic contributions and supply chain of SE are unknown in Pakistan. It is vital to gauge the contribution of SE in the overall economic landscape of the country due to the overwhelming involvement of individuals and micro-enterprises. There are no precise estimates on the quantum of SE due to its informal nature. Global assessments have shown that the SE has grown exponentially, affecting the daily life of 5 billion people, with a volume of US\$ 30 trillion (Sirkeci, 2020, p. 11).

This brief provides an economic analysis of the street vending economy in the twin cities, namely Islamabad and Rawalpindi.² On average, 1.5% to 2.5% of cities' population is engaged in SE.³ Both cities operate under different administrative structures. Markets are relatively well organised in Islamabad compared to Rawalpindi. Furthermore, Islamabad host relatively high- and middle-income families, while low- and middle-income families reside in

Rawalpindi. The analysis is based on primary data collected through the "PIDE Street Economy Survey (PSES)." The survey covered 1,683 street vendors (SVs) operating in the twin cities.

Who are Street Vendors and what do they sell?

The descriptive analysis based on PSES shows that with over ten years of vending experience, around 61% of SVs used tables, and 32% used carts for vending, mainly placed in front of shops. Approximately 84% of SVs owned vending carts/tables, and over 86% of SVs also owned the vending business.

Around 26% of SVs offered food-related items for sale, including packed food/snacks, food prepared over a fire, and food prepared without a fire. About 22% of SVs offered garments for sale – the second largest category of sale item offered by SVs after food items. Around 15% of SVs provided fruits and vegetables for sale, followed by shoes, sunglasses, and watches (13%), plastic items (8%), electronic and mobile accessories (8%), and ladies' bags and jewellery (5%). These statistics show that food, garments, fruits/vegetables, ladies' handbags, electronics, and plastic items are the main products sold in the street vending economy.

Around 43% of SVs reported starting street vending

¹ Street Economy (SE), a subset of a broader informal economy, is defined as exchanging all types of goods and services in public areas, streets, sidewalks, and squares (Sirkeci, 2020, p. 14).

² Rawalpindi is adjacent to Islamabad – the capital of Pakistan – and the two are jointly known as the "twin cities" due to strong social and economic links between the cities. According to Census 2017, the urban population of the Rawalpindi tehsil is 2 million, while around one million people live in urban areas of the Islamabad tehsil. The total population of Rawalpindi district is 5.4 million and Islamabad district has a population of 2 million.

³ This implies that around 60,000 SVs are operating in twin cities.

businesses due to unemployment. Furthermore, approximately 26% of SVs mentioned that they started street vending businesses willfully due to significant expected returns. Around 23% of street vendors stated they opted for the street vending business due to a lack of formal education and experience to be engaged in formal employment or any other business. A small portion of SVs (around 8%) reported that street vending was their family business.

THE ECONOMICS OF STREET VENDING

This section presents information on business operations, economic linkages, income, sales, and profit of the street vending business.

Formal-informal economy linkages

The street vendors locate their stalls (tables/carts) outside formal stores using the available public spaces and sidewalks. The owners of the formal shops charge for the use of public space in front of their business. In some cases, the owners of formal shops hired a worker (around 15% of SVs) to operate a stall in front of shops. These findings reflect that formal-informal linkages are beneficial for both formal shop owners and street vendors. Wholesalers/distributors (mainly working in the formal sector) are the primary input providers for street vendors. Around 70% of SVs purchased raw materials and other inputs from wholesalers/distributors. About 26% of SVs used the marketplace ("Mandi") to buy raw materials and other inputs. Very few (around 4% of SVs) used middlemen as a source to purchase raw materials and other inputs for street vending. Approximately 73% of SVs used the stall space to store sales items, while around 18% used warehouses to store sales material. The street vendors reported that formal shop owners provided storage space to store sales items by providing rent to shop owners. This arrangement also reflects bi-directional dependence between formal shop owners and street vendors to generate business returns.

Business operations: Revenues, investment, profits, and operational costs

The average monthly revenue of street vendors was Rs. 114,708 (US\$ 740). Street vendors, on average, earned a significant profit amounting to US\$ 212 per month (29% of total monthly revenue). Street

vendors made, on average, US\$ 571 investment to run a vending business. Around 60% of SVs invested their own money to start a street vending business, followed by 32% of SVs who took money from their family and friends to invest in a business. Very few street vendors (only 8%) took a loan from formal and informal sources to invest in the street vending business. A street vendor paid around US\$ 107 monthly as an operational cost, and more than 51% of the total operational cost incurred fell under the category of rent paid to the owner of the shop. Furthermore, street vendors paid around 8% of the operational cost to avail of essential utilities such as electricity, water, and other services. Approximately 13% of operational expenses fell under the category of transportation, and 25% were other costs.

Business operations: Financial inclusion

Only 11% of SVs have a formal bank account. To use a bank account, we found that only 24% of SVs used a bank account for trading purposes, while around 50% used a bank account for saving purposes, and around 25% of SVs used a bank account for sending money home. This implies that apart from very low financial inclusion, the use of bank accounts is also limited to non-productive means. Over the last few years, mobile banking has been expanding exponentially in developing countries, including Pakistan. Around 49% of SVs had mobile banking accounts. Approximately 50% of SVs used mobile banking accounts to send money home, i.e., remittances. Furthermore, around 37% of SVs used mobile banking accounts to make business transactions.

Economic contribution at the national level

The national statistics based on the Labor Force Survey (LFS) conducted by the Pakistan Bureau of Statistics (PBS) show that around 0.75 million people out of 61 million employed labour force (approximately 1.22%) engaged in street vending activities across Pakistan. By combining LFS and PSES data, we argue that the economic contribution of SE to the national economy is around PKR 1,037.45 billion (US\$6.69 Billion).

VENDING LICENSES AND THE COST OF EVICTION

The PSES data shows that only 2% of SVs had a license to operate in the market. This implies that 98% of SVs were working without legal protection in the market.

The illegal status of SVs induces local administration to confiscate the material and evict the street vendors. The analysis shows that 65% of SVs faced eviction. Around 25% of evicted street vendors got a receipt for the confiscated material. This indicates that the majority of street vendors do not get any legal documents as evidence to claim the confiscated material. Around 65% of street vendors reported that they did not get back their confiscated material. This again shows massive exploitation by the local administration to extract rents from street vendors. The majority of SVs reported that their carts/tables were removed from the existing location. Only 39% of SVs claimed that their carts/tables remained intact after confiscation. Among those who mentioned confiscation, SVs reported that it took, on average, more than seven days to get back their confiscated material. The local administration imposed a penalty of around US\$ 9. Around 39% of SVs mentioned that confiscation caused more than 50% inventory loss, while 37% claimed it caused loss to inventory between 25% to 50%. We used reported data on daily income to monetise the economic loss that occurred due to confiscation. The total economic loss due to confiscation was US\$ 457. The reported economic loss due to informality constituted around 62% of monthly revenue, which was 215% of net monthly profits. This implies that one-time eviction would lead to almost two months of net profit for the SVs.

IMPACT OF COVID-19 ON STREET VENDORS

Around 87% of SVs are adversely affected by COVID-19 restrictions. This suggests that the majority of SVs are affected by business restrictions imposed by the government to reduce the spread of the pandemic. Around 46% of SVs reported a 100% loss in income due to business closures during the lockdown. Due to the lockdown, approximately 41% of SVs reported income loss between 50% and 100%. This implies over 87% of SVs faced more than 50% loss in income. This reflects a significant decrease in street vendor income during the lockdown.

POLICY RECOMMENDATIONS

The economic analysis of street vending in the twin cities of Pakistan provides numerous insights for policymakers and other stakeholders, including businessmen, market associations, regulatory authorities, administrative bodies, and social protection agencies. Based on the analysis, the

following implications are noted:

- Promoting financial inclusion: SVs are poorly integrated with the financial sector to use financial services for business expansion. Financial exclusion undermines business transactions in two ways. First, it restricts business expansion due to low investment and cash transactions. Second, it hampers business prospects due to high lending costs from the informal sector – money lenders operating in the informal market. Financial exclusion occurs due to a lack of documentation due to migrant status, collateral to obtain financial services, and stringent legal requirements. Financial inclusion can be improved in the following ways:
 - Reduce the documentation requirements (so-called sludge) to facilitate street vendors, especially migrant workers, to obtain financial services. Mobile banking is an alternative to increase financial inclusion.
 - The government may allow mobile accounts as collateral to give loans to street vendors for business purposes. Microfinance institutions (MFIs) should use the mobile account as a security/collateral to expand microfinance.
 - To address the demand-side issue of financial inclusion, it is proposed that MFIs may devise lending schemes as per informal committees (informal lending without interest on a rolling basis) to attract street vendors to use the formal financial sector.
- Provide legal protection to street vendors: More than 98% of SVs do not have legal protection to run their businesses. Illegality causes a significant economic loss to street vendors. It is proposed that local administration introduce work permits to qualified street vendors on an annual basis to provide legal protection. These permits generate revenues for the government and help standardise street vending products to ensure quality. The work permit may be renewed annually after providing quality protocols.
- Mechanism to formalise the income: Most business transactions (sales and purchases) occurred in cash, allowing tax evasion. The

government may link the renewal of work permits with annual income statements based on formal transactions. Street vendors with no formal transaction may not be allowed to renew their work permits. This helps to formalise the income transactions and ultimately enhance tax collection

- Reducing the cost of informality: More than 50% of the operational cost goes to the shopkeeper as rent for using public space. The local administration should take appropriate measures to tag public spaces for street vending. Legal protection (mentioned in ii) may also help reduce the cost of informality.
- Address huge inaccessibility of women to urban markets: Very few women are involved in the street vending business in the twin cities due to a lack of proper spaces for women. It is proposed that particular areas or zones be allocated for women for the street vending business.

About RASTA CGP

The *Research for Social Transformation and Advancement* (RASTA) at the Pakistan Institute of Development Economics (PIDE) is the largest economics and public policy research grants programme in Pakistan. Its mission is to promote research culture and develop extensive network of academia and think tanks across Pakistan producing high-quality, evidence-based policy research to inform public policy processes. The Competitive Grants Programme (CGP) is the flagship initiative of RASTA under which research proposals are invited bi-annually on specific themes/topics decided by the Research Advisory Committee (RAC). Applications from all around Pakistan and abroad are invited through open competition and awards are decided by the RAC after a rigorous and transparent review process. Anyone with research focus on Pakistan's public policy issues relevant to the themes/topics of each round can participate in CGP.

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