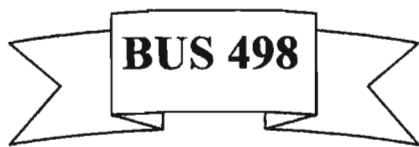


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BBA

**Project Report
On
Entrepreneurial Activities in the Informal Sector
In Dhaka City**



PROJECT

Prepared For:

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East West University

Letter of Transmittal

December 20, 2010

M Sayeed Alam

Assistant Professor

Department of Business Administration

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Dear Sir:

It gives me a great pleasure to submit the project report on “Entrepreneurial Activities in the Informal Sectors” which was assigned to fulfill the requirement for BBA project work program. This report mainly focuses on the entrepreneur’s response regarding entrepreneurial activities in the informal sectors. This report has been prepared by collecting data from both primary and secondary sources.

I have gathered valuable experiences form different situation in the process of preparing the report. I have enjoyed preparing this report and I am great full for your co-operations and guidance. I will be obliged to provide you with any clarification if required.

Thanking you

Sincerely yours,

Md. Intiaz Ahmed
Id: - 2006-2-10-202



Acknowledgement

I am very much obliged to those persons who gave their valuable time, opinion and advice to complete this report. At first my profound gratification goes to Mr. M Sayeed Alam Assistant Professor, Department of Business Administration, East West University, the honorable course coordinator of project work to complete the research and write this report successfully. He has contributed much in this project by giving me a successful guideline.

After that I would like to thank the respondents, who are the inhabitants of Mohakhali, Jatrabari and Farmgate areas for their valuable time to fill up my questionnaire. I am also thankful to my dear friends and classmates for their ingenious advices and supports.

Executive Summary

This project report was designed to give an idea about entrepreneurial activities in the informal sectors in Dhaka. It also focuses on entrepreneur's perception and level of activities that are taken to do business in the informal sector. I tried to focus on some factors that affect their business. I tried to describe few factors that indicates their present status and affects their businesses. A field work was conducted through questionnaire to understand their perception, and the important factors that affect their business and activities.

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Introduction

This is a report prepared on entrepreneurial activities in the informal sectors and mainly I focused on how entrepreneurs in the informal sectors are doing their business in the informal sectors, what factors are affecting their businesses. Basically informal sector covers a wide range of labor market activities that combine two groups of different nature. On the one hand, the informal sector is formed by the coping behavior of individuals and families in economic environment where earning opportunities are scarce. On the other hand, the informal sector is a product of rational behavior of entrepreneurs that desire to escape state regulations. The motivation behind most informal sector businesses is assumed to be personal survival, as opposed to return on investment. Although this sector will tend to have rich and poor components, most of these businesses provide a subsistence existence. Returns tend to be low and intermittent, security and stability are minimal, working hours is long and working condition is poor.

In our country especially in the Dhaka city the business which are conducted in the informal sectors are vast and thousands people are engaged on it. Ease of starting the business, personal surviving are the factors for which entrepreneurs go for doing businesses in the informal sectors.

1.1 Origin of the Report

This report is prepared for BBA project work (BUS498). I am assigned to prepare a project report by my project instructor M Sayeed Alam. My task is to make a survey on entrepreneurial activities in the informal sectors and to find out their present business status, the factors which are affecting their businesses.

1.2 Objective of the Study

While conducting the report I have tried to relate the theoretical concepts that I have gathered through my BBA program with the realistic view of the research. In my report I have tried my best to find out the factors influence the entrepreneurial activities in the informal sector.

The broad objective of this report is to find out those factors that affects their businesses.

Specific objective

- ✓ Obtain general information like their motivation to start business, their business strategy, the way on which they do business, their product and pricing, their perception about expanding the business or to open new business etc.

- ✓ Analyze their overall business

Methodology

Only the qualitative method has been used to collect and analyze the information for this report. They are being used to collect information of different aspects. All of these information are being collected through the in-depth interview with the entrepreneurs in the informal sectors.

Research methodology

a) Type of research

In this particular research I used quantitative research and I followed exploratory research design.

b) Sample design

My Sample size is 70

c) Survey Method

This study has conducted among the entrepreneurs of different locations including Mokhali, Jatrabari and Farmgate area.

d) Questionnaire design

In this research I used primary data. The data has been collected using exclusive one to one interview (personal interviewing technique) and questionnaire survey with a highly structured questionnaire.

e) Target Group

The particular study was done on the entrepreneurs who are doing their business like street food vending, flexi load service, handicraft, and tea stall.

Data Collection

I have collected data by using following technique

- 1) Personal interview
- 2) Questionnaire survey
- 3) Secondary data.

Data analysis

After collecting data, those was sorted, entered and tabulated with the help of computers. Once the data input was completed, statistical software SPSS and MS Excel was widely used to analyze the collected data to find out specific characteristics finding a regression analysis of the responses.

Scope of the study

This study focuses on the following issues:

- Current scenario of the entrepreneur's businesses.
- Competitive situations of their products.
- Some proposals and recommendations for the improvement of their business.

Limitation of the study:

All possible cautions were maintained during the planning of research, selection of methods and techniques, data processing and analysis. In spite of this the study is not free from limitations. Some limitations related to the study could be cited here as follows:

- Considering the volume of the research, the timeline was limited, particularly for questionnaire survey. Therefore it was a great challenge for me to reach all respondents within the timeframe. Time limitation created some barriers to collect some qualitative data.
- To get response from all the entrepreneurs for all questions was really a great challenge as they were found to be very busy and some were reluctant to give answers.
- Some qualitative findings were related to the perception of respondents. These findings may not be representative to predict the overall situation of the entrepreneurial activities in the informal sectors.



Overview of Informal Sector

The informal sector covers a wide range of labor market activities that combine two groups of different nature. On the one hand, the informal sector is formed by the coping behavior of individuals and families in economic environment where earning opportunities are scarce. On the other hand, the informal sector is a product of rational behavior of entrepreneurs that desire to escape state regulations.

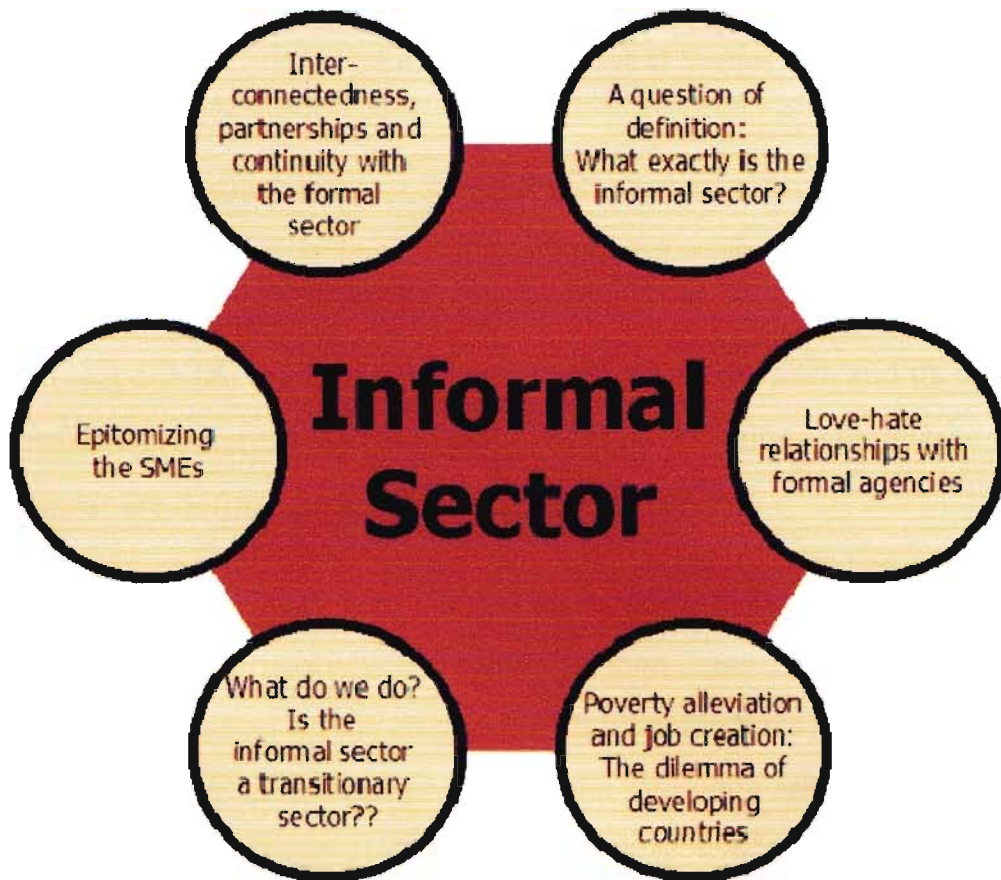
The two types of informal sector activities can be described as follows:

1. Coping strategies (survival activities): casual jobs, temporary jobs, unpaid jobs, subsistence agriculture, multiple job holding;
2. Unofficial earning strategies (illegality in business): (1) Unofficial business activities: tax evasion, avoidance of labor regulation and other government or institutional regulations, no registration of the company; and (2) underground activities: crime, corruption - activities not registered by statistical offices.

The informal sector plays an important and controversial role. It provides jobs and reduces unemployment and underemployment, but in many cases the jobs are low-paid and the job security is poor. It bolsters entrepreneurial activity, but at the detriment of state regulations compliance, particularly regarding tax and labor regulations. It helps alleviate poverty, but in many cases informal sector jobs are low-paid and the job security is poor. The size of the informal labor market varies from the estimated 4-6% in the high-income countries to over 50% in the low-income countries.

Its size and role in the economy increases during economic downturns and periods of economic adjustment and transition.

Operationalizing the concept of informality for the purpose of measurement is not easy both because the two categories of the informal sector overlap and because the border between the informal and the formal sector is blurry. First, if unofficial earning strategies are exercised by a low-profit small enterprise with low quality working conditions, then workers of this enterprise and the enterprise itself can be classified as belonging to both informal market categories. An example of such a case is an unregistered one-person low-profit street trade enterprise - these characteristics combine unofficial and survival activities. Second, some formal market jobs or enterprises can be classified as informal if it is found that they have poor work protection or if the life style and opportunities they entail are considered undesirable. If the street trader from the previous example registers her enterprise, the enterprise and the trader herself could be categorized as belonging to the formal sector if the profit is considered above the survival level.



Enterprise

Characteristics of the activities in the informal sector

1. Unregulated and competitive markets
2. Small scale operation with individual or family ownership
3. Ease of entry
4. Reliance on locally available resources
5. Family ownership of enterprises
6. Labor intensive and adapted technology
7. Absence of access to institutional credit or other supports and protections

The Urban Informal Sector

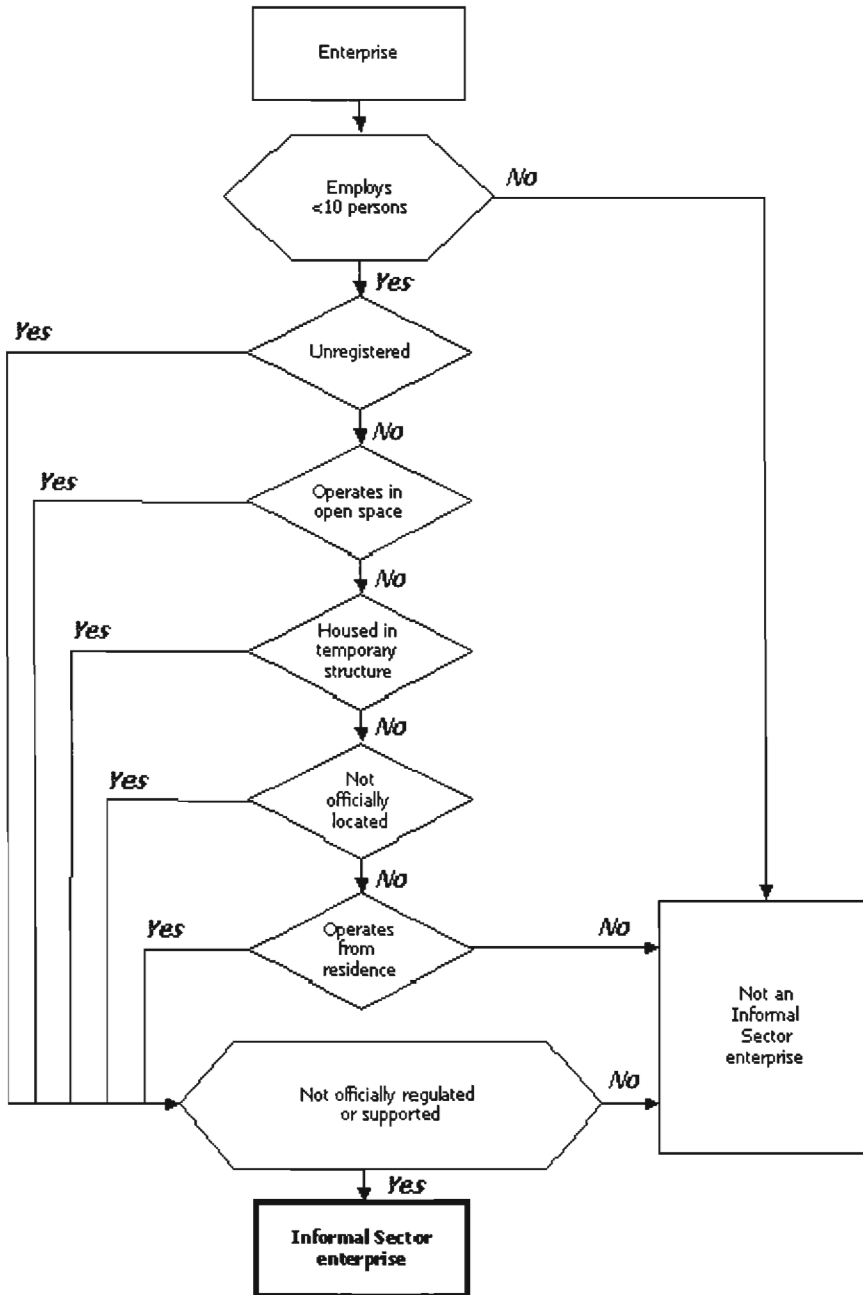
The urban informal sector, often called the urban subsistence sector/unorganized sector/unremunerated sector, is conceptually defined to include all economic activities which are not officially regulated and which operates outside the incentive system offered by the state and its institutions. In contrast, enterprises which enjoy official recognition, protection and support are defined as formal sector enterprises.

At the empirical level, the informal sector often is defined to comprise these economic enterprises which employ less than certain number of persons (e.g. 5 or 10, depending on the country's official procedures) per unit, and which simultaneously satisfy one or more of the following criteria: (a) it operates in open spaces, (b) it is housed in a temporary or semi permanent structure, (c) it does not operate from spaces assigned by the government, municipality or private organizers of officially recognized market-places, (d) it operates from residences or backyards, and (e) it is not registered.

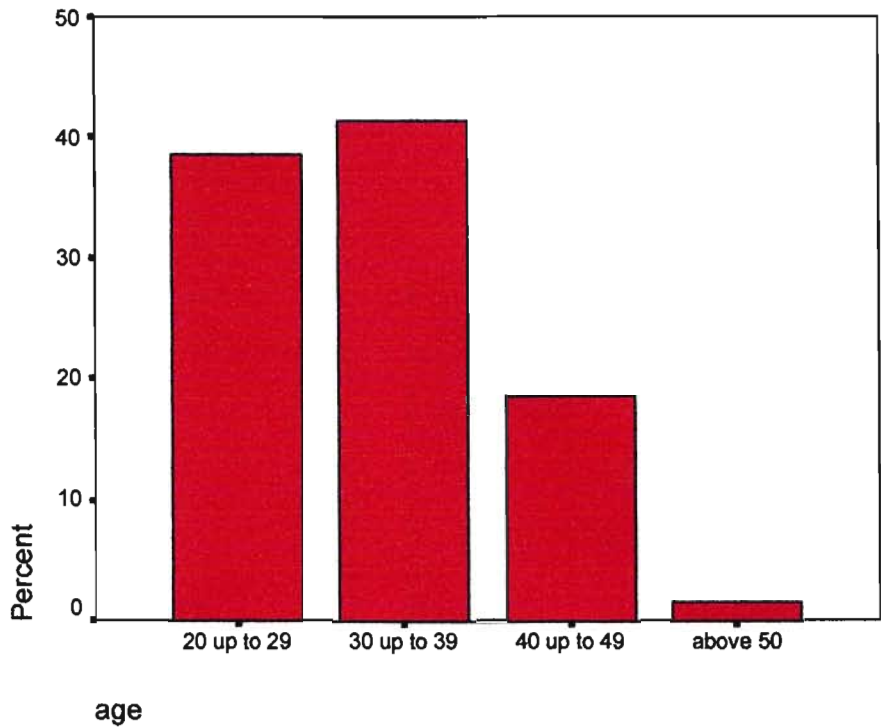


Decision Model for Identifying Informal Sector Enterprises in Dhaka City

Decision Model for Identifying Informal Sector Enterprises in Dhaka City



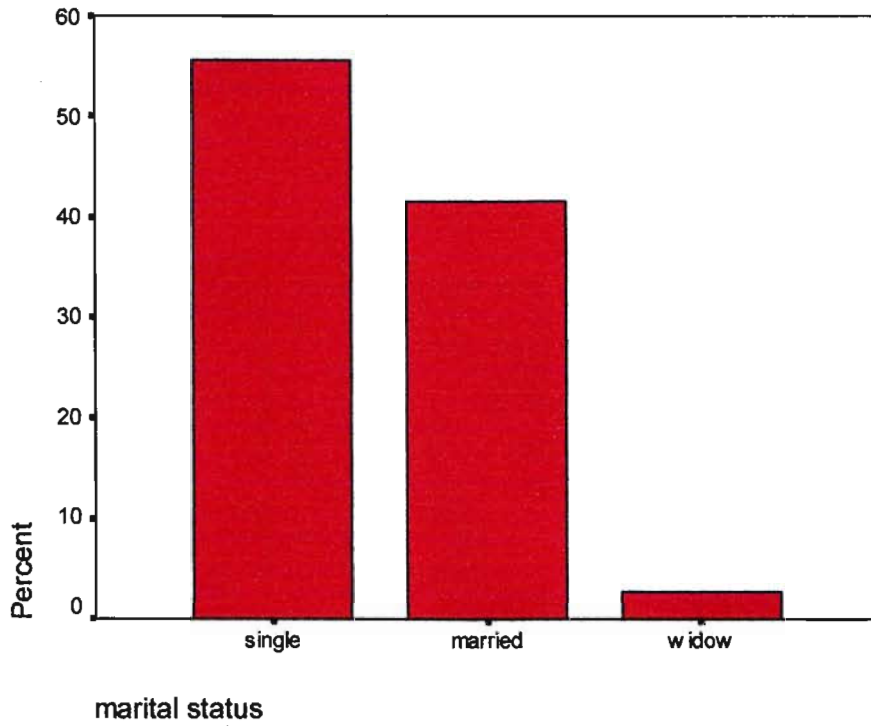
Data Analysis From Questionnaire



Interpretation: 43% (maximum) respondents are from the age group of 30 up to 39 years and 2% (minimum) respondents are from the age group of 50+ years.

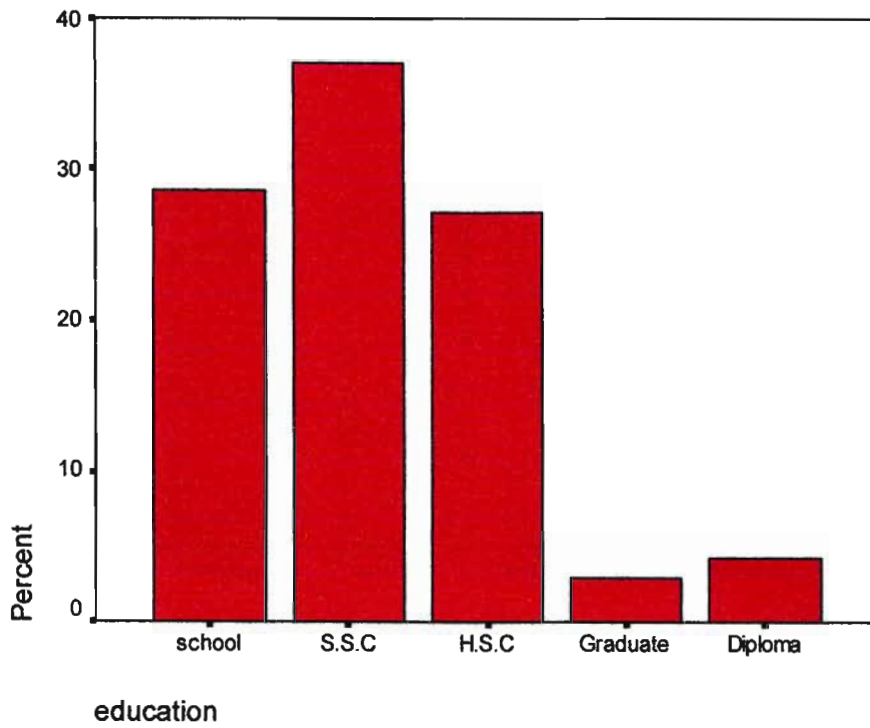


Marital Status



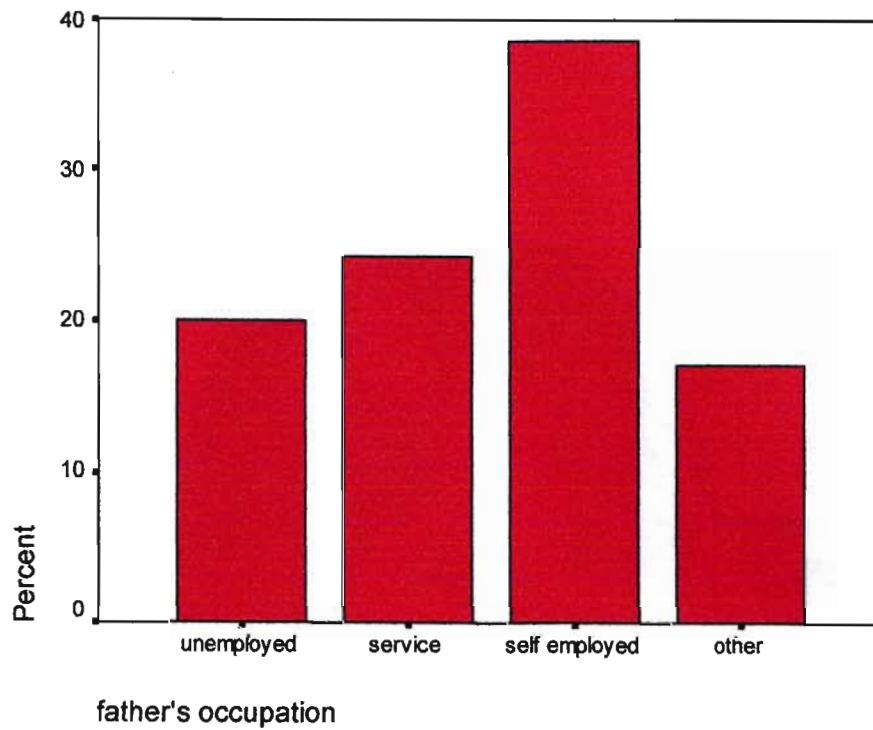
Interpretation: 58 %(maximum) respondents are single and 3 %(minimum) respondents are widow.

Education



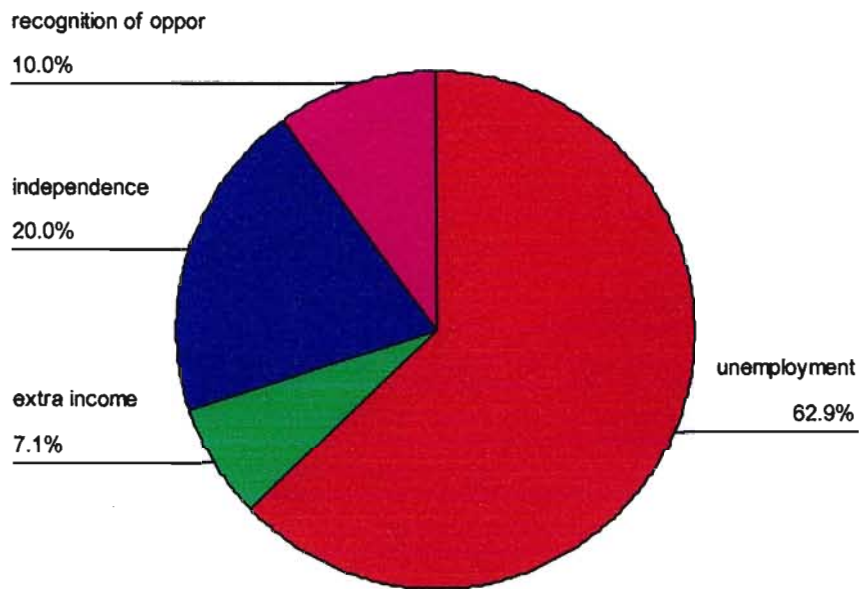
Interpretation: 38% (maximum) respondents are from S.S.C. category and 4% (minimum) are from graduate category.

Father's Occupation



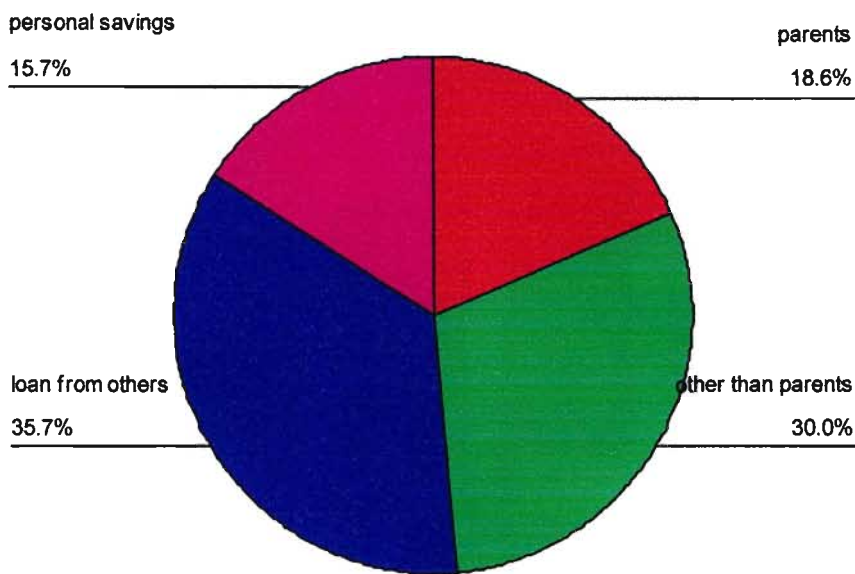
Interpretation: about 39% (maximum) respondent's father's occupation is self employed and almost 18% (minimum) are from other category.

Motivation to start business



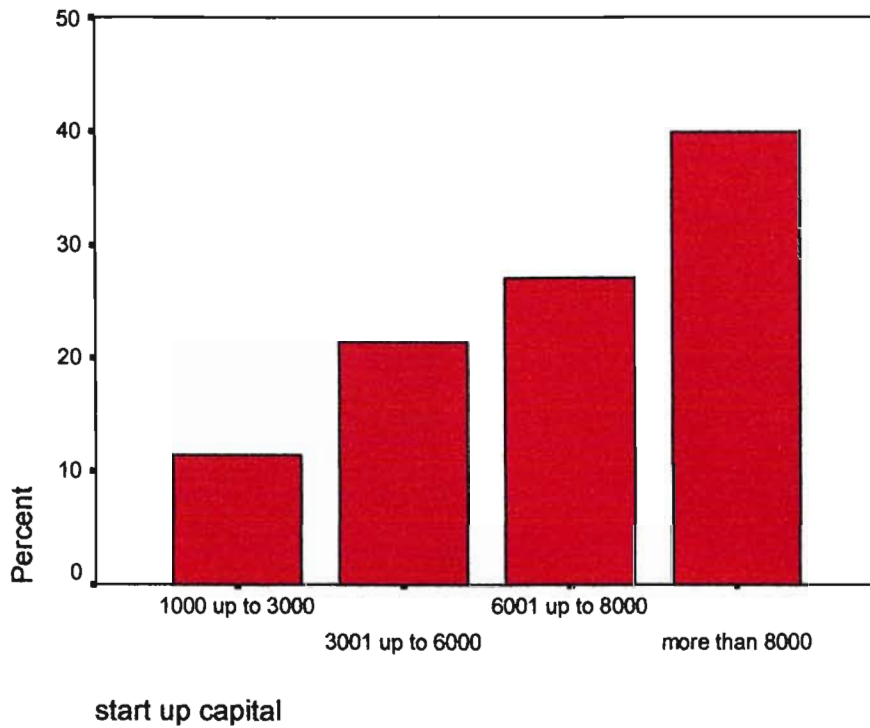
Interpretation: 62.9% (maximum) respondents started their business for unemployment and 7.1% (minimum) respondents started their business for extra income.

Source of support to start business



Interpretation: 35.7 % (maximum) respondents started their business by taking loan from others and 15.7 % (minimum) respondents started their business by personal savings.

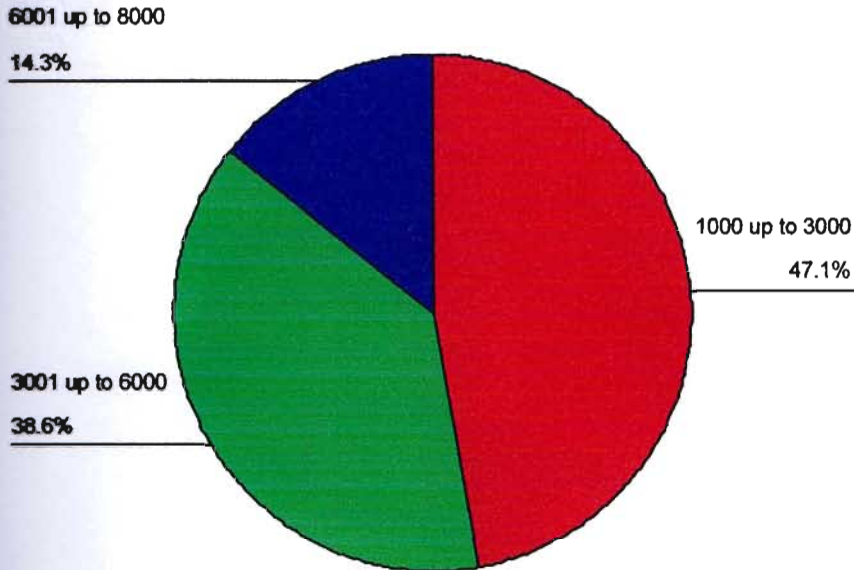
Start up Capital



Interpretation: about 43 %(maximum) respondent's start up capital was more than 8000 and 11 %(minimum) respondent's start up capital was 1000 up to 3000.

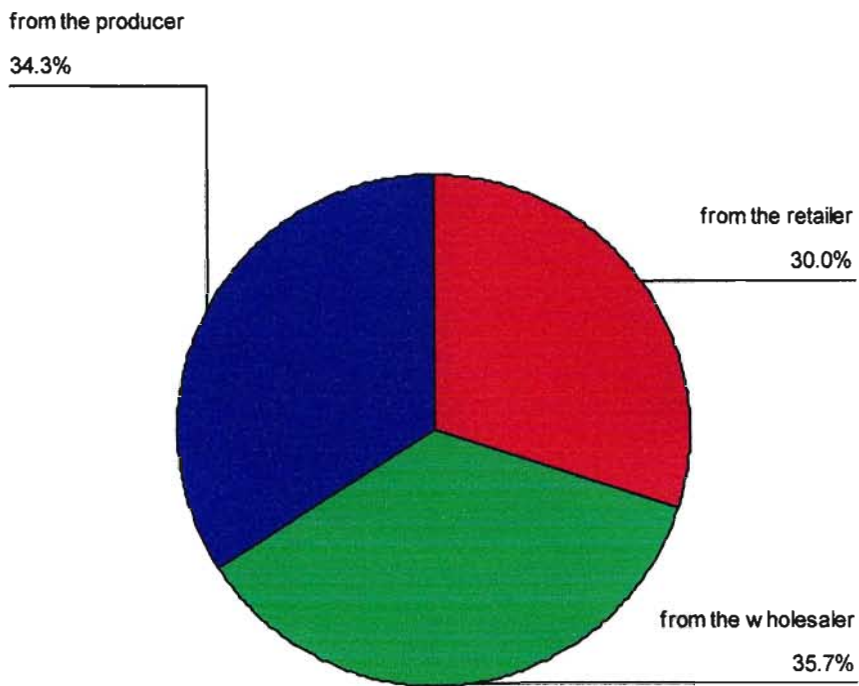


Daily average sales



Interpretation: 47.1% respondent's daily average sales is 1000 up to 3000 and 14.3% respondent's daily average sales is 6001 up to 8000.

Source of material

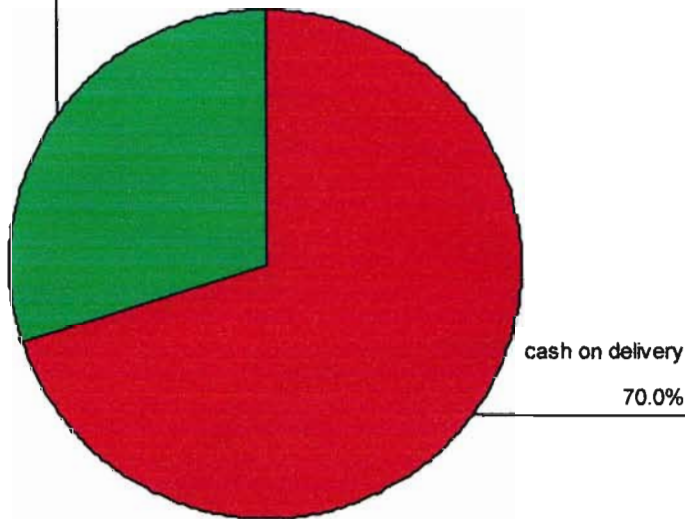


Interpretation: 35.7% (maximum) respondent's source of material is from the wholesaler and 30% (minimum) are from the retailer.



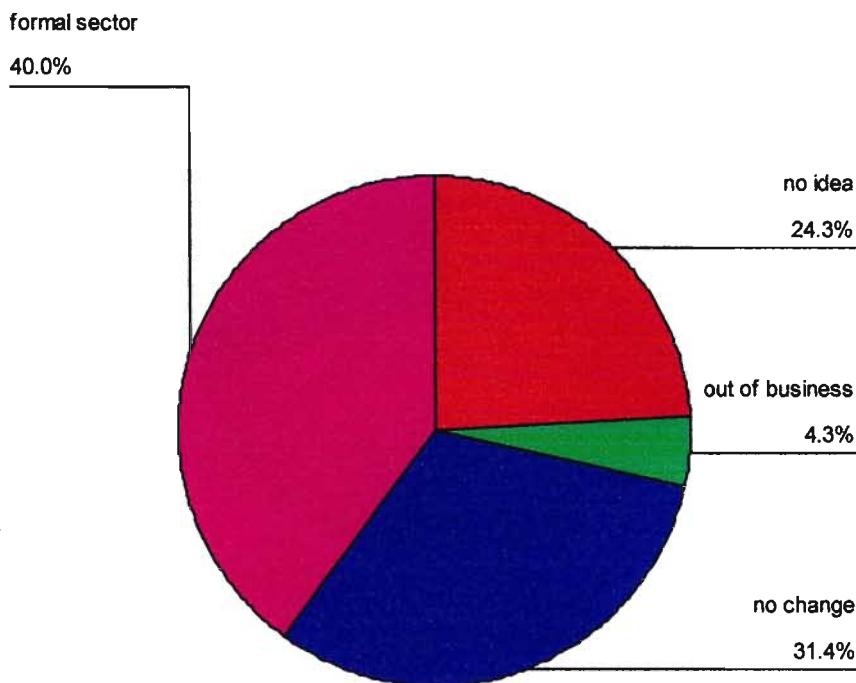
Customer payment method

both on delivery and
30.0%



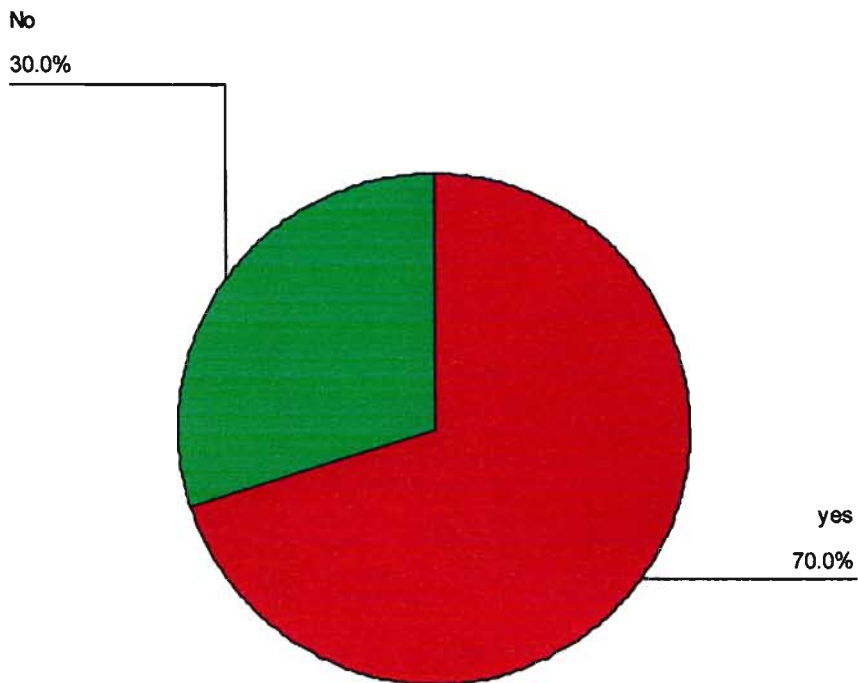
Interpretation: maximum (70%) number of respondent's customer payment method is cash on delivery and minimum (30%) number of respondent's customer payment method is both delivery and cash.

State of business in next five years



Interpretation: maximum (40%) number of respondents think that their present business will go to formal sector in the next five years and minimum (4.3%) number of respondents think that their present business will be out of business in the next five years.

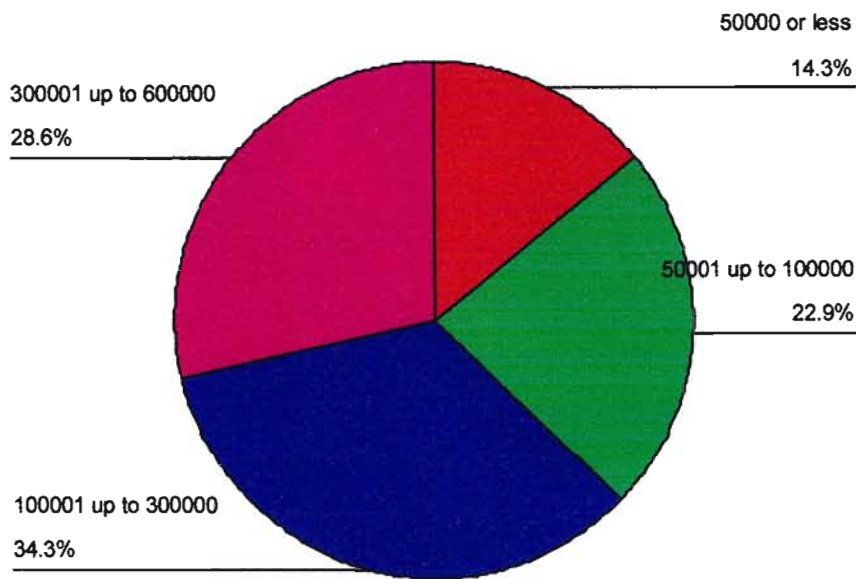
Additional financing for business



Interpretation: most of the respondents showed interest for additional financing for expanding or opening new business.

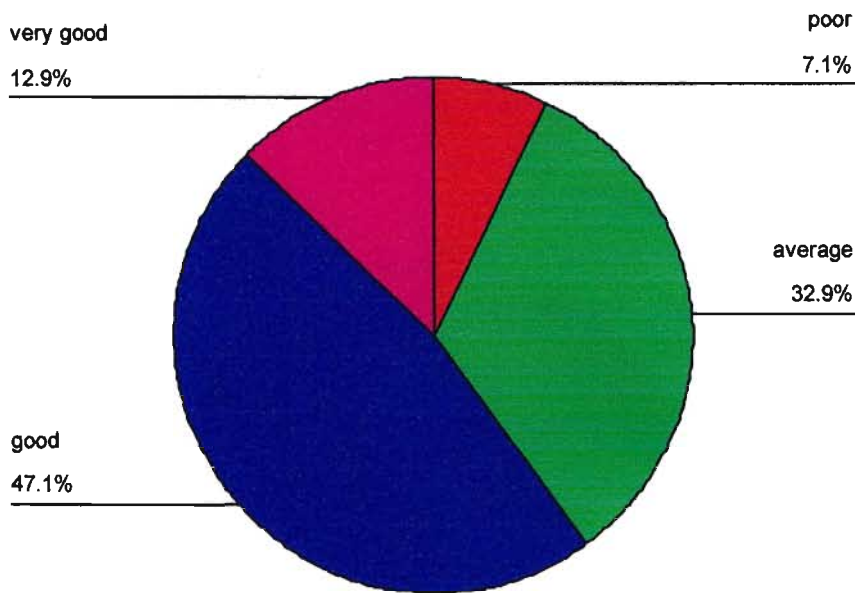


Interested for loan amount



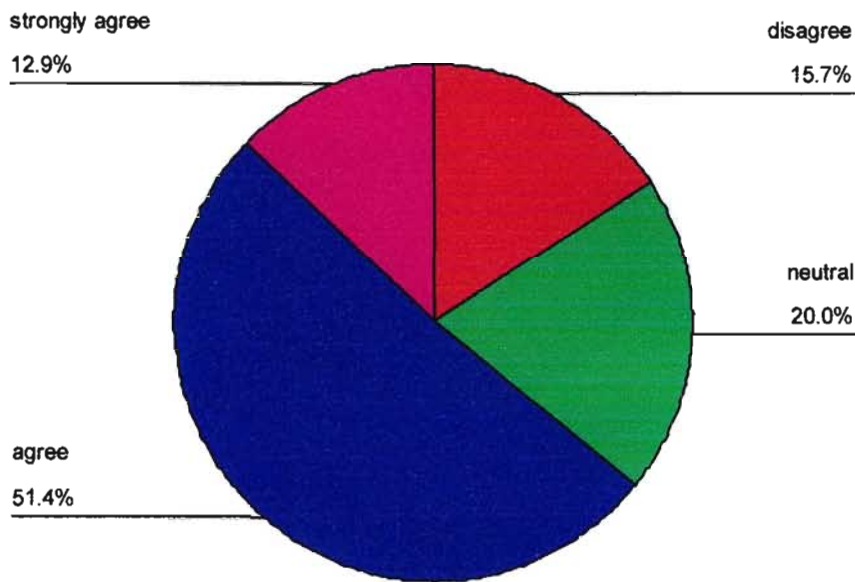
Interpretation: maximum (34.3%) respondents want to take loan from 100001 up to 300000 and minimum (14.3%) respondents want to take loan 50000 or less.

Performance of present business



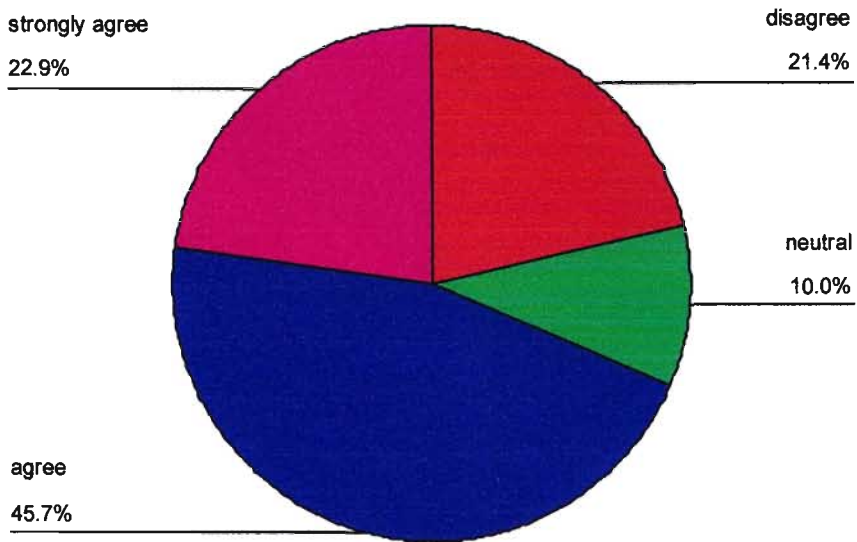
Interpretation: maximum (32.9%) respondents said that performance of their present business is average and minimum (7.1) respondents said poor.

Major barrier to start a business is no cooperation from financial institutions



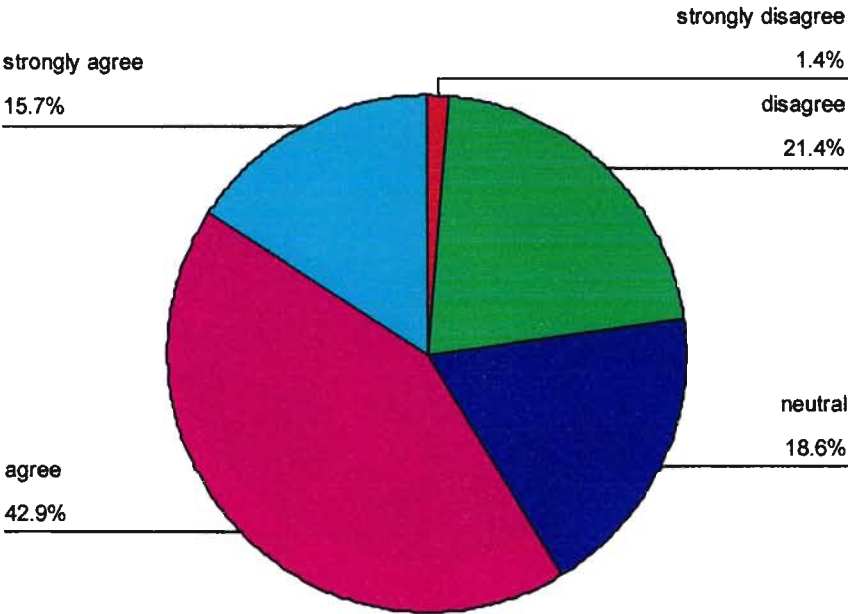
Interpretation: 51.4% respondents agree that to start a business major barrier is no cooperation from financial institutions and 15.7% respondents disagree the above statements.

Major problem to expand business is credit sales



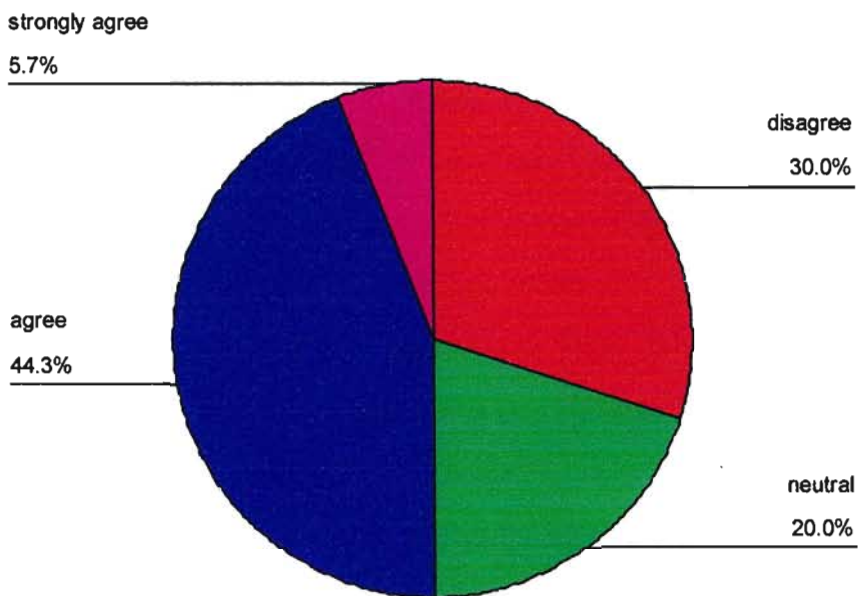
Interpretation: 45.7% respondents agree with the above statements and 21.4% respondents disagree the above statements.

Absence of social security is barrier for women entrepreneur



Interpretation: 42.9% respondents agree with the above statements and only 1.4% respondents strongly disagree with the above statements.

Disturb by law enforcing agencies to change location



Interpretation: 44.3% respondents think that disturb by law enforcing agencies to change the location is regular problem and 30% respondents disagree with the above statements.



Findings

From analyzing results from SPSS data output it has been found that the majority of the entrepreneurs are from 30 to 39 years, most of them were single when they started their business, they are S.S.C passed, and most of their father's occupation were found as self employed. It is clear that most of the respondents started their business for unemployment reason. Most of them preferred loan from other to start business and most of them started their business by investing initially more that 8000 tk. Most of the entrepreneurs collect their materials from the wholesalers and they used mark up pricing for their business. From SPSS it has been found that most of the respondent's daily average sales are 1000 to 3000 tk. And most of them expressed that their current business performance is average. The entrepreneurs preferred to take loans for expanding or opening new business. Most of the respondents agreed that no cooperation from financial institutions, credit sales are the barrier for expanding business.

Problem Identification

From the research it has found that:-

- ✓ No cooperation from the financial institution regarding any form of financial service acts as a barrier to start a business for the entrepreneurs.
- ✓ To expand the business the major problem is the credit sales
- ✓ For women entrepreneur absence of social security is a barrier.
- ✓ Frequent disturb by the law enforcing agencies to change the location of the shop is a regular problem.

Recommendation

Through entrepreneurial activities in the informal sectors thousands of people are earning money, to help the entrepreneurs to start and expanding the business I've some suggestions which are described below:

- ✓ There must cooperation from the financial institution's side by giving small loans to the entrepreneurs based on some conditions.
- ✓ The entrepreneurs must have to focus more on cash on delivery process.
- ✓ From the Government side proper social security must have to be given to the women entrepreneurs.
- ✓ The Government has to take initiatives about places so that the entrepreneurs can do their business easily

Conclusion

Street food vending, flexi load service, handicrafts are prevailing and distinctive part of a large informal sector in Dhaka. It is commonly viewed in public spaces particularly in the cities and distinctive in the sense that it provides a basic need to the urban inhabitants. In this report I basically tried to measure the impact of motivation, source of support, method of pricing, customer payment method etc. on the business taken in informal sectors by the entrepreneurs in Mohakhali, Jatrabari and Farmgate areas.

The results of the report have shown that all four factors motivation, source of support, source of material and pricing method have significant influence on entrepreneurial activities in the informal sectors.



APPENDIX

Entrepreneurial activity in the informal sector (IS)

Type of business:

Length of business _____

Characteristics of the IS entrepreneur in Dhaka (area _____)

1. Age when you start the business
 - A. 20-29
 - B. 30-39
 - C. 40-49
 - D. above 50

2. Marital status when you start the business
 - A. Single
 - B. Married
 - C. Divorced
 - D. Widow

If present married then no. of dependent _____

3. level of education when you start your business
 - A. school
 - B. SSC
 - C. HSC
 - D. Graduate
 - E. Diploma

4. father's occupation
 - A. unemployed
 - B. service
 - C. self employed
 - D. other

5. No of siblings =

Business information

6. Motivation to start the business

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

7. Source of your support to start the business

- A. parents
- B. other than parents
- C. loan from others
- D. personal savings

8. Start up capital

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

9. Daily average sales

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

10. Source of the material (from where you buy products for your business)

- A. from the retailer
- B. from the wholesaler
- C. from the producer

11. Method of pricing

- A. mark up pricing
- B. fixed mark pricing
- C. match competition

12. Customer payment method

- A. cash on delivery
- B. credit
- C. both on delivery and credit



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

- A. no idea
- B. out of the business
- C. no change
- D. formal sector

14. interested to obtain additional financing for business (expansion, open new business or others)

- A. Yes
- B. no

15. If interested for loan the amount is better for me

- A. 50000 or less
- B)50001 up to 100000
- C) 100001 up to 300000
- D) 300001 up to 600000

16. Overall performance of present business

- A. very poor
- B. poor
- C. average
- D. good
- E. very good

17. Major barrier to start a business is no cooperation from the financial institution regarding loan or any form of financial service

- A. Strongly disagree
- B. Disagree
- C. Neutral
- D. Agree
- E. Strongly Agree

18. The credit sales is one of the major problem to expand business

- A. Strongly disagree
- B. Disagree
- C. Neutral
- D. Agree
- E. Strongly Agree

19. Threat of bribe/ terrorist or proper absence of social security is barrier for women entrepreneur

- A. Strongly disagree
- B. Disagree
- C. Neutral
- D. Agree
- E. Strongly Agree

20. Frequent disturb by the law enforcing agencies to change the location of shop is a regular problem

- A. Strongly disagree
- B. Disagree
- C. Neutral
- D. Agree
- E. Strongly Agree