

# Do Informal Sector Businesses Support Women's Livelihood? A Case of Butwal Sub-Metropolitan in Nepal

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## Research

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## Abstract

Informal sector business is rapidly increasing in Nepal. This paper examines the effect of informal businesses on women's livelihood, which is not documented in the literature. This study uses primary data collected from the Butwal sub-metropolitan, Nawalparasi District, Province 5 of Nepal. Sample size is 300 women entrepreneurs. There is a positive correlation between income level and married as well as migrated women entrepreneurs. Logistic Regression result shows more educated women entrepreneurs are more likely to earn from their businesses in comparison to the less educated women. Qualitative analysis shows women are learning business doing skills. Most important, old aged women (around/over 60 years) should not depend on their son or daughter for bread and butter and for pocket money after starting such business.

## 1. Gender Issues In Nepal

Global Gender Index reveals that Nepal ranks 110th out of 144 countries on [gender parity](#). Gender Inequality Index gave Nepal a score of 0.497 in 2015 with 0 representing equality<sup>3</sup>.

Females are slightly in greater numbers than males in Nepal. Nepal's population recorded 26,620,809 in 2011, including 12,927,431 males and 13,693,378 females (CBS, 2011). Nepal's Development Index also differs between males and females. Nepal stands on 144<sup>th</sup> position in terms of HDI rank out of 188 countries in 2016. Males' HDI value is greater (.58) than females' value (.53). In addition, the [United Nations](#) report shows that Nepal ranks 110th out of 145 countries in the Global Gender Gap Index.

Women's life expectancy is greater (71.5) than men's (68.6). However, mean years of schooling is 5 years for males while it's only 3.2 years for females. In terms of secondary education of females ages 25 and older is 24.1 percent and of males, it's 41.2 percent. In labor force participation, female of the ages 15 and older participate 79.7 percent and males participate 86.8 percent. In politics, females' share of seats in parliament is only 29.5 percent. Also, males' Gross National Income (GNI) per capita is \$2,718 while females' is only \$1,979 (HDR, 2016)<sup>4</sup>.

The Constitution of Nepal 2015 has been a huge improvement for gender perspective. Article 43 explains the rights of women that include rights to lineage, right to safe maternity and reproduction, right against all forms of exploitation, and equal rights in family matters and property. The Government of Nepal is also working to maintain gender equality in all development policies and programs, and also in yearly budget system. Three women have already held top-level positions in the country-Sushila Karki as a Chief Justice of the Supreme Court, Onsari Gharti Magar as Speaker of the Parliament, and Bidhya Devi Bhandari as the President. A Nepalese social activist Anuradha Koiralahas been appointed as a governor of Province 3. An inhuman culture that forces upon women to stay outside their homes in unsafe cow sheds during menstruation and childbirth is set to be criminalized in the new legal code. Women are stepping upwards in other sectors too; such as science, financial institutions, media, education, public health, social service and development. It can be observed over the years that women are making great leaps in almost all fields – science, economics, banking and finance, media, environment, education, public health, social service, and development. However, the reality is women's situation is still weak than males in Nepal.

<sup>3</sup>This index measures [reproductive health](#), [empowerment](#), and economic status. Nepal ranked 115<sup>th</sup> out of 188 countries for gender equality (WEF, 2016).

<sup>4</sup>Gender Development Index (GDI) measures disparities separately for women and men. The closer the ratio is to 1, the smaller the gap between women and men (WDR, 2016).

## 2. Why Research Focusing On Female Entrepreneurs Is Important In Nepal?

As stated above, some of the females are improving their life status in recent years, however, when we compare females' aggregate social status with males; females are at a lower position than males. Government policy is well written in the white paper for providing jobs for women and fix quotas in government jobs, but the industrial base is very weak in Nepal so it is a difficult task to get a job; especially for less skilled and less educated women. Therefore, they choose to start a business in the informal sector. Informal businesses are defined as unregistered, unregulated, unrecorded, and untaxed businesses that do not have business licenses or agreement for their business and are frequently operated from a home, street pavements, or other informal arrangements (Horn, 2011).

When females start a small business they should not always depend upon the husband's income. This income helps to raise their children in many ways. They can pay school fees, purchase stationery, medicines, and other daily requirements. Husbands' burden decreases when wives support household expenditure. Also, starting a business in the informal sector is a seed for innovation.

In recent years, thousands of women are working as an entrepreneur in Nepal; however, there is no micro-level research in this area. This paper primarily concentrates to answer three questions: 1) What are the characteristics of women entrepreneurs and their business types in the informal sector? 2) What factors determine women entrepreneurs' income level? And 3) What are their issues while doing business in informal sector?

## 3. Literature Review

Kasseeah and Tandrayen-Ragoobur (2014) analyzed the characteristics of women entrepreneurs operating in the informal sector in Mauritius and the impact of women entrepreneurship on their livelihoods and that of their families. Otoo et al. (2009) analyzed women entrepreneurship in West Africa. This study found that women entrepreneurship in the informal sector, such as street food vending is important for poverty alleviation. The street food business makes women employed while such businesses also provide cheap and nutritious food for the urban poor people. Kapunda and Mmolawa (2007) found that informal sector business activities helped people to come out of the poverty line. Ama et al. (2014) studied women entrepreneurs involved in informal cross-

border trade (ICBT) in Botswana. They found that young, less educated, and unemployed women traded agricultural goods and industrial products. They were able to increase their income significantly. Enriquez (2015) says that informal economy exists even in the highly developed country the USA, where many childcare centers pay workers in cash and do not record it to evade the tax payment. Fruit picking industries also do not record their wage pay. About 12 million illegal immigrants in the USA always engage in some sort of informal activity countrywide.

In Nepalese context, Thapa (2014) analyzed the degree of wage discrimination in formal and informal sectors using country representative labor force survey-based cross-section data and noted that the gender, geography, educational status, marital status, age of the employee and ethnicity of the employee matter whether an individual works in the informal or formal sector. Moreover, wages for relatively educated workers are significantly low in informal sector than the formal one. Xheneti and Karki (2016) adopted a qualitative approach. They found that although many respondents (39 %) engaged in entrepreneurial activities for lack of other alternatives, large numbers yet (37%), were attracted by a desire to be active and financially independent rather than staying at home. Business skills and experience also supported them in gaining their family's trust, market reputation, and community recognition. Many respondents mentioned having to deal with discouragement from their households and wider communities as articulated in an emphasis on their lack of basic skills; the perceived suitability of certain activities for women; or the acceptability of women engaging with any membership organizations that would support entrepreneurship due to gender prejudices. However, their persistence and their ability to 'earn a living' not only helped in improving attitudes towards them, but also in becoming more resilient to the constraints of their environment. Adhikari (2011) analyzed how street market informal business in Kathmandu valley is helping to generate income and reduce poverty. The author found that street vending is important to generate income and reduce the poverty level for some people of Nepal. The street trade provides employment and income generation for the rural poor in the urban areas. And not only rural poor are getting earning opportunities in the informal economy; this has been providing goods at cheaper prices to urban poor. However, there is a gap in the existing literature to see the importance of informal sector business from a gender perspective in Butwal sub-metropolitan.

## 4. Data And Model

This study uses micro-level primary data collected from the Butwal sub-metropolitan, Nawalparasi District, Province 5 of Nepal. This area is selected by a judgmental sampling method because people are rapidly moving to this area from the rural hilly region, however, 300 women entrepreneurs were interviewed randomly. The questionnaire is both close and open-ended. Survey was conducted by personal interviews meeting women entrepreneurs who are doing businesses in the informal sector. The unit of analysis is an individual woman (a woman entrepreneur). Income that they earn is determined by several factors so the questionnaire covers their age, education level, migration status, previous work experience, household characteristics, and information about doing the business.

The livelihood of women entrepreneurs is analyzed via Logistic regression techniques. The equation is written as follows:

$$IncomeEarned = \beta_0 + \beta_1 Married + \beta_2 Unmarried + \beta_3 BasicEducation + \beta_4 SecondaryEducation + \beta_5 SelfDecision + \beta_6 HusbandDecision + \beta_7 Migrant + \beta_8 Nonmigrant + \beta_9 NewBusiness + \beta_{10} OldBusiness + \beta_{11} LowInv + \beta_{12} HighInv + \varepsilon$$

*IncomeEarned* of the above equation is a dependent variable. *IncomeEarned* is income range taking a value of 1 if income is equal to and more than Nrs. 30,000 and 0, otherwise. Among 12 independent variables, *Married* means a married woman entrepreneur while *Unmarried* means an unmarried woman entrepreneur. *BasicEducation* is whether the woman entrepreneur has been attending a primary school; a maximum of five years of schooling. *SecondaryEducation* is whether she has been attending secondary school; that is a maximum of 10 years of schooling. *SelfDecision* indicates woman herself took decision to start her business while *HusbandDecision* indicates not the woman herself but her husband decided to establish the existing business. *Migrant* indicates an entrepreneur who migrated from other places to the current address for business and *Nonmigrant* indicates entrepreneurs did not move to a new place for starting her business. If business age is less than and equal to 3 years, it is assumed as a *NewBusiness* but if the business exceeds 3 years or more, it is indicated as *OldBusiness*. *LowInv* variable means initial business investment was up to Nrs. 20,000 and *HighInv* means start-up business investment amount was more than Nrs. 20,000.

## 5. Findings And Analysis

Table 1 shows the summary statistics of the variables which are used in the above equation. The first column shows the list of variables, the second column shows mean value, third column shows the standard deviation and the fourth and fifth columns show minimum and maximum values respectively. There are 300 observations in this analysis. High-income entrepreneurs are observed 86 percent while low-income entrepreneurs are accounted for 14 percentages. Most respondents are married women but only 11 percent are found unmarried. Less than School Level Certificate (SLC) level educated women are seen 44 percent while 56 percents are SLC or higher class educated. This means not only illiterate women but also literate ones are doing start-up businesses in the informal sector. Most women decided to start their business themselves but some husbands also cooperated to initiate wives' business. Half of the total respondents are found migrants. 66 percent entrepreneurs started their businesses less than three years ago while others started more than three years ago. 42 percent of the total entrepreneurs invested only amount up to Nrs. 20, 000 as an initial investment but other invested greater amount than Nrs. 20,000.

**Table 1 Summary Statistics of Women Entrepreneurs in Informal Sector**

Variables	Mean	Std.Dev	Min.	Max.
Low income ( $\leq 30,000$ Nrs)	.14	.3475	0	1
High income ( $>30,000$ Nrs)	.86	.3475	0	1
Married	.89	.3092	0	1
Unmarried	.11	.3092	0	1
Basic education	.44	.4772	0	1
Secondary education ( $\geq$ SLC)	.56	.4972	0	1
Business decision (self)	.68	.6766	0	1
Business decision (husband)	.32	.3233	0	1
Migrant	.50	.5000	0	1
Non-migrant	.50	.5000	0	1
New business ( $\leq 3$ years)	.86	.3475	0	1
Old business ( $>3$ years)	.66	.4733	0	1
Low investment ( $\leq 20,000$ )	.42	.4943	0	1
High investment ( $>20,000$ )	.58	.4943	0	1
<b>Total observation</b>	<b>300</b>			

Source: Author's calculation based on field survey data (2017).

Table 2 below shows the correlation between the income of the women entrepreneurs and their characteristics. There is a positive correlation between income and married women entrepreneurs, income and more educated entrepreneurs, income and migrated entrepreneurs. Next, income level and higher-level business start-up investment also depicts a positive relationship. Old business variables show negative values with income level which is an unexpected result. Generally, older business owners have more business experience so they must have earned a higher income than newer business owners.

**Table 4.2 Correlation between Income and Female Entrepreneurs' Characteristics**

	Income	Married	Un- Married	Basic education	≥ SLC education	Business decision- self	Business decision- husband	Migrant	Non- migrant	New business (≤3years)	Old business (>3 years)	Low investme (≤20,000)
High income (> 30,000)	1.00											
Married	.04	1.00										
Unmarried	-.04	-1.00	1.00									
Basic education	-.04	-.10	.10	1.00								
≥ SLC education	.04	.10	-.10	-.10	1.00							
Business decision- Self	.02	-.19	.19	.03	-.03	1.00						
Business decision- husband	-.02	.19	-.19	-.03	.03	-1.00	1.00					
Migrant	.07	.04	-.04	.03	-.03	-.15	.15	1.00				
Non- migrant	-.07	-.04	.04	-.03	.03	.15	-.15	-1.00	1.00			
New business (≤3years)	.02	-.06	.06	-.20	.20	.20	-.07	.07	-.01	1.00		
Old business (>3 years)	-.02	-.06	.06	-.06	.20	-.20	-.07	.07	-.01	.01	1.00	
Low investment (≤20,000)	-.14	-.20	.20	.36	-.36	.28	-.28	-.00	.00	-.20	.20	1.00
High investment (>20,000)	.14	.20	-.20	-.36	.36	-.28	.28	.00	.00	.20	-.20	-1.00
Source: Field survey data calculated by author.												

**Table 3 Logistic Regression Model of Women Entrepreneur and Their Income (Marginal Effects)**

Variables	Marginal coefficients
<b>Marital status (reference: unmarried)</b>	
Married	0.245 (-0.514)
<b>Education level (reference: basic education)</b>	
Secondary education ( $\geq$ SLC)	0.322** (.336)
<b>Business decision (reference: husband decision)</b>	
Business decision-self	0.638 (-.391)
<b>Migration status (reference: non-migrant)</b>	
Migrant	0.552 (0.349)
<b>Business age (reference: new business <math>\leq</math> 3 years)</b>	
Old business (>3 years)	0.293* (3.391)
<b>Investment amount(Reference: low investment <math>\leq</math> 20,000)</b>	
High investment (>20,000)	0.334*** (3.417)
Constant	0.398* (.323)
Pseudo R-Squared	0.273
<b>Total observation</b>	<b>300</b>

\*\*\*Significant at 1% level, \*\* 5%, and \* 10% level.

Source: Author's calculation based on field survey data (2017).

Table 4.3 presents the Logistic Regression Model results. It is noted that women entrepreneurs in the informal sector who are more educated are more likely to earn in comparison to the less educated women (reference category). The marginal coefficient is significant at the 1 percent level. So our first hypothesis is accepted because I claimed that more educated entrepreneurs will have a greater chance to earn more income than less educated entrepreneurs. However, the marginal coefficient value of the migrant female entrepreneurs is insignificant to the income. A possible reason is newly migrant females are not confident to invest a big amount in new places; they initiate their business with a very small amount. That is why income/profit earned from small investment results in less income. Therefore, the second hypothesis is rejected because we claimed that migrant entrepreneurs earn a higher income than non-migrant ones. In addition, old business is significant to the income level. Hence the third hypothesis is accepted, greater business investment in the informal sector generates higher income in comparison to the less investment. Pseudo R-Squared appears 0.273 in our result, which means the proportion of the variance in the dependent variable (income) to the independent variables is 27 percent<sup>5</sup>.

<sup>5</sup>Pseudo R-Squared which is used to assess goodness of fit as it represents the proportion of variance in the criterion that is explained by the predictors.

## 6. Why Business Start In Informal Sector?

Table 4 exhibits the reason for starting a business in the informal sector. Eight percent of the total respondents said that they could not find any jobs in their community. About 25 percent of the sample responded that the reason is insufficient income to maintain their living expenses, 52 percent of women are engaged in informal sector due to several family reasons such as, and their husbands are alcoholics so they cannot survive without doing some income generating business. Some of them went abroad working but returned back to Nepal since the work was too difficult and now they are doing such business easily. Few women also got divorced so they are doing such work to stand on their own leg. 14 percent of respondents started such business by others' motivation, to utilize free time, and to support children's school fees.

**Table 4 Reasons to start Business in the Informal Sector**

Reasons	Frequency	Percentage
Difficult to find job	24	8.00
Less income to maintain living expenses	76	25.33
Family reasons	157	52.33
Others	43	14.33
<b>Total</b>	<b>300</b>	<b>100.00</b>

Source: Author's field survey data (2017).

## 7. What Contributes By Such Businesses?

Maximum respondents said their businesses are helping to save money for future, it's noted 63 percent-the highest. Another majority of respondents said that it is helping to pay their kids' school fees and purchase stationery which is noted 20 percentage. Next, contributing category is found to maintain their consumption expenditure or to maintain their livelihoods. One of the best aspects of doing small business in the informal sector is many old aged women (around/over 60 years) should not depend on their son or daughter for bread and butter and also pocket money after starting such business (see Table 4.5).

**Table 4.5 How Business Helps Entrepreneurs' Livelihood**

Category	Frequency	Percentage
1.To maintain living expenses	49	16.33
2. To pay children's school fee	61	20.33
3. To save for future purpose	189	63
4. Others	1	0.33
<b>Total</b>	<b>300</b>	

Source: Author's field survey data (2017).

## 8. Businesses By Sector

The table below (4.6) shows the business sectors they are engaged in. Most of the respondents, 40 percent are found as street vendors. They sell goods in small quantities such as hair clips, crafts, religious goods, dolls, watches, socks, caps, toys, made in China clothes, books, electrical goods like radios, clocks, kitchen goods, basic needs goods-nail cutter, and shoe polish. Wholesale and retail stores come in the second rank which is found 26 percent. Majority of them sell food items and household needs goods. Relating to the agriculture sector they sell vegetables and fruits which accounts 16 percent. Hotel and restaurant sector is nine percent. They sell meat items, tea, noodles, coffee, juice, cold drinks, mineral water bottles, and others. Small furniture shops are found under the manufacturing industry. Under ICT, mobile phone sets, mobile phone money cards, computer software CDs, and movie DVDs are observed.

**Table 6 Business Types by Sector**

Sector	Frequency	Percentage
1. Agriculture	49	16.33
2. Manufacturing industry	18	6
3. Building/road construction	2	0.67
4. Wholesale and retail store	78	26
5. Transport	4	1.33
6. Information and Communication Technology (ICT)	2	0.67
7. Hotel and Restaurant	27	9
8. Street vendor	120	40
9. Education service	0	0
10. Others	12	4
<b>Total</b>	<b>300</b>	

Source: Author's field survey data (2017).

## 9. Business Barriers In Informal Sector

The following figure shows the problem that women entrepreneurs face while running their business. Major problem women face in informal sector business is insecurity. Several women come from outside Butwal (market place) to sell their products then return home in the evening. They feel unsecured, basically sexual harassment in the evening hours. 58 respondents said such businesses are helping to generate income so there is no major problem. 52 respondents said municipal/local government policy is a business barrier. There is not a specific place or marketplace to sell/put their goods. Road expansion project is a burden. Road expansion and construction work is rapid in urban areas, so they cannot put their stall easily as in previous years. Road construction work is also producing dust and destroying their goods' quality. Moreover, it is also found that a lack of access to capital and financial support, or under-capitalization, was among the key barriers reported by most female entrepreneurs. They said that rich people get loans easily from the financial institutions but they don't since they are relatively poor or cannot show collateral. Some respondents also said that there is a competition in recent days among informal sector entrepreneurs. However, the availability of raw material or products they sell and transportation is not being a major problem for them.

## 10. Conclusion

In this study, we did both quantitative and qualitative analysis. A survey was conducted in Butwal Sub-metropolitan, Province 5 of Nepal. In total 300 women entrepreneurs in the informal sector were interviewed.

Correlation result shows that there is a positive correlation between income level and married women entrepreneurs, income level and more educated entrepreneurs, income level and migrated entrepreneurs. Next, income range from the business and higher-level business start-up investment also depicts a positive relationship. The Logistic Regression result shows that women entrepreneurs in the informal sector who are more educated in comparison to the less educated women are more likely to earn from their businesses. Entrepreneurs who started the businesses more than three years ago are more likely to earn than newly established entrepreneurs.

Descriptive statistics indicated 40 percent are vendors. They sell goods in small quantities such as jewelry, crafts, religious items, dolls, watches, socks, caps, toys, clothes, books, radios, clocks, kitchen goods, nail cutters, and shoe polish. Wholesale and retail stores come in the second rank which is found 26 percent. They sell mainly food items and household needs goods. Agriculture sector accounts 16 percent, they produce and sell vegetables and fruits. Hotel and restaurant sector is nine percent. They sell meat items, tea, noodles, coffee, juice, cold drinks, mineral water, and others. Under ICT, mobile phone money transfer cards, CDs, and mobile phones are observed.

Maximum respondents said their businesses are helping to save for the future. Others said that it is helping to pay for their kids' education. Most interesting and important, old aged women (around/over 60 years) said they should not fully depend on their son or daughter after doing such businesses.

Several women feel insecure basically sexual harassment in the evening hours when they go back after business. Some respondents said government policy as a business barrier. Road expansion work producing dust and destroying their goods. It is also found that lack of access to capital and financial support, or under-capitalization, was among the key barriers reported by most female entrepreneurs.

Promoting women's entrepreneurship and supporting the participation of women-led small and medium-sized enterprises in public sector procurement can be particularly relevant. Women's representation can be increased through affirmative action, such as quotas for women on corporate boards, as in the European Union. In the Nepalese context and based on my findings, it is recommended that local governments must provide business doing trainings for females. Second, financial institutions must provide loan easily for low economic status females. Third, sub-metropolitans must record informal businesses' data and allocate appropriate locations to do such business. Finally, informal businesses must gradually bring into the tax bracket in the future.

Finally, different factors contribute to empower women. Only informal sector businesses are not the major sector to bring up women but we should not underestimate its importance. Informal sector businesses are playing a positive role in generating income and as a seed of entrepreneurship. Government must provide start-up business trainings for women entrepreneurs. All informal sector businesses must bring into the tax bracket and gradually transfer them from informal to formal sector. Suitable research questions for future study could be: How can the local bodies in Nepal bring informal sector businesses into formal businesses? How the Pandemic is affecting informal sector businesses?

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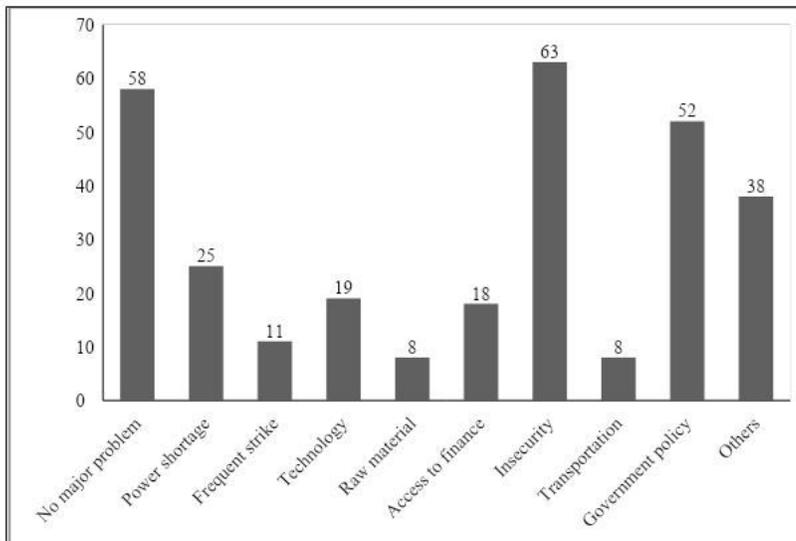
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## Figures



**Figure 1**

Current Business Barrier Source: Based on the author's field survey data (2017).