



## INCLUSIVE GROWTH AND THE INFORMAL FOOD SECTOR IN BANGALORE, INDIA

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# PREFACE

One of the major components of urban informality in the Global South is the food retail, distribution, and preparation sector. The informal food economy comprises a dense and diverse network of informal markets, suppliers, transporters, mobile traders, hawkers, retailers, and street food vendors making food more accessible and affordable in low-income areas. The informal food sector is thus critical to the food security of poor urban households in rapidly growing towns and cities in the Global South. While the vibrancy of the sector is everywhere apparent, research on the structure, organization, dynamics, and impacts of informal food systems under conditions of hyper-urbanization has been limited. What is clear is that the informal food sector is both diverse and complex. By working in an interdisciplinary context with mixed methodologies and across different cities, the Hungry Cities Partnership (HCP) aims to add considerably to our understanding of common elements and differences across the Global South.

The informal food sector also represents an “urban laboratory” for examining whether and how inclusive growth strategies can positively affect entrepreneurship and incomes, and help in alleviating poverty and mitigating the crisis of food insecurity. Fast-growing cities in Africa, Asia, Latin America, and the Caribbean are characterized by expanding degrees of informality. The definition of informality and the informal economy has been a source of debate since the 1970s. Broadly understood, informality has become the defining feature of the landscape, politics, and economy of the contemporary city in the South. As a result, efforts to secure livelihoods depend heavily on informalized activity. The Organization for Economic Cooperation and Development (OECD) has noted that “it would be misleading to address food security without taking into account a large part of the economy that provides jobs, incomes and essential services for the urban population. Despite its important role, the informal economy is still poorly defined, poorly measured and consequently poorly taken into account in food security policies” (Hitimana et al 2011: 1).

The literature on informal sector activity generally takes one of two positions. The first is a survivalist position, which suggests that unemployed individuals are pushed into the sector because they are desperate to provide for themselves and their dependants (Berner et al 2012). The corollary is that they will leave the sector as soon as formal employment opportunities are available. A second, opportunistic, position is that informal sector vendors are motivated more by choice than necessity and see opportunities for economic and social advancement in the sector (Williams and Gurtoo 2012). An inclusive growth perspective asks how opportunists can maximize their outcomes and how survivalists can be supported to become more opportunistic (Knox et al 2019, Margolis 2014). As such, this perspective requires a focus on the enterprise rather than the individual

and on entrepreneurship, innovation, and job creation. Studies of the informal sector suggest that the opportunities and obstacles to successful informal entrepreneurship vary considerably by enterprise size, type, and location, as well as the vendor's gender, migrant status, ethnicity, caste, and access to microfinance, markets, and support programs.

National, regional, and municipal policies towards informality and informal entrepreneurship are highly variable (Young and Crush 2019). Policies towards the informal food economy span the spectrum from complete non-interventionism to draconian attempts to control and even eliminate informality. The pathologizing and criminalization of the informal food sector is especially common at municipal level. Regulation through various legal and policy instruments is also a pervasive response to informality. If the informal food sector is to thrive, and provide opportunities for innovation and entrepreneurship, then an enabling policy environment is essential. The survey results presented and discussed in this report add significantly to the evidence base on which supportive policies can be constructed. Previous studies of the informal food sector in Bangalore are relatively outdated (Bhowmik 2000, Bhowmik and Saha 2012; ESG 2010, Gurtoo and Williams 2009, Nataraj 2012, Williams and Gurtoo 2012), and this study therefore provide a current picture of the profile, activities, motivations, challenges, and aspirations of the city's food vendors.

# 1. INTRODUCTION

This report presents and analyzes the findings of a food vendor survey conducted by the Indian Institute for Human Settlements as part of the Hungry Cities Partnership (HCP) in Bangalore, India, in September and October 2018. It is a supplement to, and should be read in conjunction with, HCP Report No. 5: The Urban Food System of Bangalore, India (Surie and Sami 2017) and HCP Report No. 14, The State of Household Food Security in Bangalore, India (Koduganti et al 2019). The former provides essential contextual background on the history, demography, and economy of Bangalore, while the latter presents findings from a city-wide household food security survey. This report provides new empirical knowledge about food vendors and the informal food economy within which they operate. It also contributes to comparative studies among the seven cities of the HCP project.

The report consists of 11 sections. Section Two provides an overview of the sampling strategies and methodologies of the city-wide vendor survey. Section Three profiles the food vendors included in the sample. Section Four discusses the vendors' enterprise structure. Section Five explores the business strategies employed by the vendors. Section Six examines the financial metrics of the food enterprises. Section Seven examines the vendors' business challenges and Section Eight explores food storage and electricity provision. Section Nine profiles the employees working at the surveyed enterprises and Section Ten explores business aspirations and plans. The final section presents a brief discussion of the survey findings.

# 2. METHODOLOGY

A land-use-based sampling strategy was used. It combined random and purposive elements to capture variation in socio-economic composition across the city, and to survey different types and scales of food vending operations. There were five broad land use types adapted from the Bangalore Master Plan, 2015 Existing Land Use Maps (ELU Maps), namely: residential, commercial, industrial, transport, and park. Within these typologies, 25 areas across the city were randomly selected to capture maximum variation in street vending activities. Notably, other land use types from the Bangalore Master Plan were dropped because they were irrelevant to our study, inaccessible, or had no or few food vendors. This stratification strategy was devised to include different types of urban spaces and to assess how urban structure influences business opportunities in the food economy.



The area percentages of each land use type served as a rough guide for the proportion of each type in the sample: 12 residential areas, five commercial areas, five industrial areas, and three transport/park areas (Tables 1 and 2). To assign the number of areas by land-use category, we first calculated the area percentages of each land use typology. Although residential areas constitute two-thirds of the total land-use area, and was ascribed 12 locations, they make up 50% of our total sample. We decided on this proportion for the residential sample since we wanted to oversample in the commercial and industrial areas where there are other types of informal food vendor. Thus, commercial and industrial areas make up a combined 25% of the total land-use area but 40% of the sample (each was assigned 5 locations). Transport and parks make up a very small percentage of the total area, and were selected purposively.

**TABLE 1: Sample by Type of Land Use**

Land use type	Bangalore (% of whole)	Assigned no.	No. of vendors
Residential	66	12	523
Commercial	12	5	178
Industrial	13	5	214
Transport	N/A	2	42
Parks	N/A	1	43
Total		25	1,000

**TABLE 2: Sample Locations**

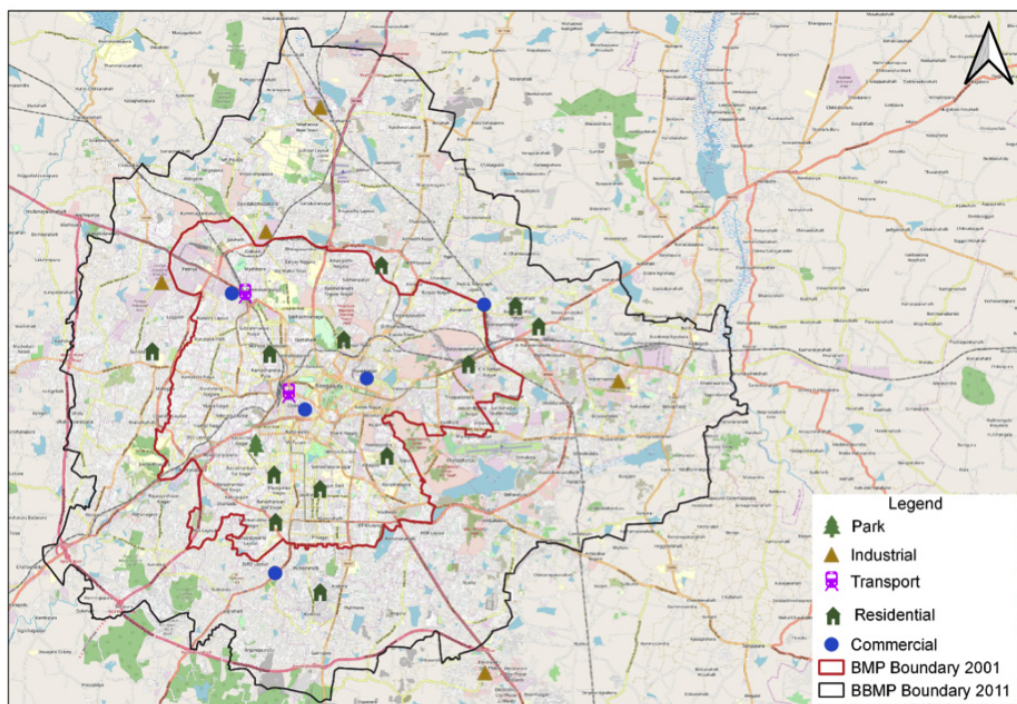
No.	Land use type	Location name
1	Residential – Least street density	Jaymahal Park
2	Residential – Least street density	ITI Park
3	Residential – Least street density	Baiyappanahalli Police Station
4	Residential – Least street density	Jayanagar BDA Complex
5	Residential – Least street density	JP Nagar 8th Phase
6	Residential – Medium street density	BMS College of Engineering/JP Nagar
7	Residential – Medium street density	Srirampura
8	Residential – Medium street density	Sunkadakatte
9	Residential – Medium street density	Nagawara
10	Residential – High street density	Padmanabhanagar
11	Residential – High street density	Ramamurthynagar
12	Residential – Very high street density	Koramangala NGV
13	Commercial (food)	APMC Yard
14	Commercial (food)	Shivajinagar
15	Commercial	Banaswadi
16	Commercial	Yelachennahalli
17	Commercial	Chickpet (Raja Market)
18	Industrial	Peenya

19	Industrial	BEL Ground
20	Industrial	Yelahanka
21	Industrial	Whitefield/Brookefield
22	Industrial	Electronic City Phase I
23	Transport	Majestic Bus Stand
24	Transport	Yeshwanthpur Railway
25	Park	Jinke Park Basavangudi

Within residential areas, we used a further area classification based on street network density. Previous research by IIHS suggests that a street network is a good proxy for capturing socio-economic variation in residential areas in Indian cities and hence residential locations were chosen and grouped in their respective street network classes. This level of stratification will allow us to look further at patterns across different neighbourhoods and to see if street density determines the types of food businesses situated in residential areas and affects business earnings. Using QGIS, we classified residential areas into four classes based on street density: least, medium, high, and very high street density. This would allow for comparison of different types of residential areas while also comparing them with opportunities in commercial or market areas, transport hubs, and industrial areas or high-tech zones.

As a final stratification level, for each land use type, there was a roughly even split of sample areas across core and peripheral parts of the city (Figure 1). Because the city of Bangalore has expanded rapidly over the last two decades, there is a difference in infrastructure provision between core and peripheral areas. For the purposes of sampling, the “core” was defined by the Bangalore Mahanagara Palike (BMP) boundary, which consisted of 100 wards in 2001. The peripheral areas were those outside the BMP boundary, but within the current municipal boundary of the Bruhat Bengaluru Mahanagara Palike (BBMP), which was expanded in 2007 and consists of 198 wards. Of the 12 residential areas, seven were randomly selected within the BMP areas and five were selected outside of the BMP areas (Figure 1). Industrial land use areas are largely in the periphery of the city and hence, of the five industrial areas, two were selected close to the BMP boundary and the remaining three were selected further away.

For selecting residential, commercial, and industrial locations, random points were generated for each land use type on QGIS, and locations were inspected to ensure that the point fell maximally in that particular land use category. Within these locations, walking paths were generated that ranged from 2-5km, depending on the land use type. Enumerators were asked to interview all the street vendors occupying these walking paths who employed fewer than five people in their establishment. A total of 1,001 surveys were completed using this sampling strategy and a version of the HCP Informal Food Vendor Survey instrument was modified to suit local conditions and logistics.

**FIGURE 1: Bangalore Boundaries**

Enumerators largely worked from 9am–5pm and, therefore, the sample is not reflective of those food vendors who only work early in the morning or late at night. Additionally, the prescribed walking paths might have missed highly mobile vendors who pass through neighbourhoods very quickly. One limitation of the data is that all the enumerators were from the southern states of India and primarily spoke Kannada with a working knowledge of a few other south Indian languages. For this reason, vendors from the northern states of India (predominantly Hindi speaking) may not have been captured to the same extent as vendors from the southern states.

### 3. PROFILE OF FOOD ENTERPRISE OWNERS

More than three-quarters (78%) of the surveyed owners of the informal food enterprises were men (Figure 2). The vendors ranged in age from under 20 to over 70 years old (Figure 3). The most common age bracket was 45–49 years, accounting for 17% of respondents. Nearly 24% were under the age of 35 while about 13% were over 60. Unlike in other HCP cities, therefore, particularly those in Africa, youth do not dominate the informal food sector.

FIGURE 2: Sex of Food Enterprise Owners

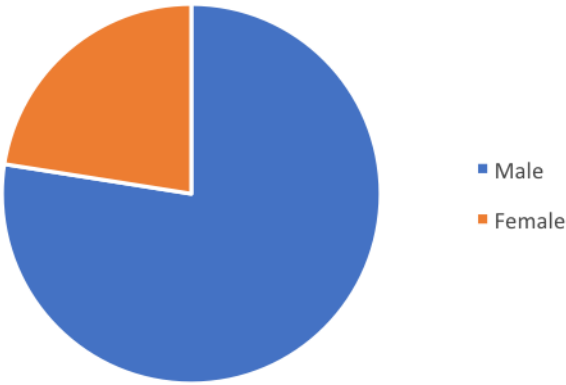
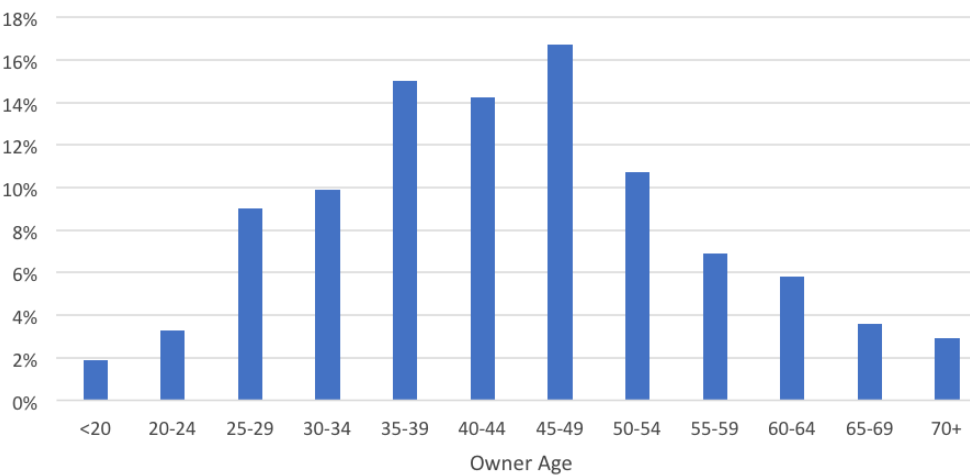


FIGURE 3: Age Profile of Food Enterprise Owners



Nearly all of the food enterprise owners interviewed for the study were from the southern states of India, which may, in part, be a function of the language issue referred to above. In total, Karnataka was the origin of just over three-quarters followed by Tamil Nadu (13%), Andhra Pradesh (6%), and Kerala (2%). Less than 2% of the sample were from the northern states of Bihar, Rajasthan, and Uttar Pradesh (Figure 4).

More than half (58%) of the food business owners originated from rural areas; 40% in rural areas within Karnataka and 18% in rural areas in other states across the country. The remaining 42% were from cities, with Bangalore having the largest share (26%), followed by other cities in Karnataka (9%) and then other states (7%) (Figure 5).

FIGURE 4: Enterprise Owner Origin State

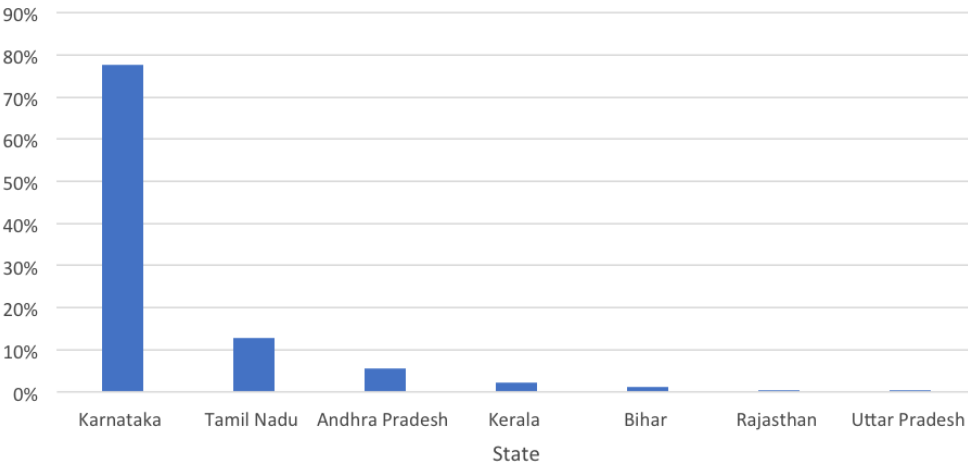
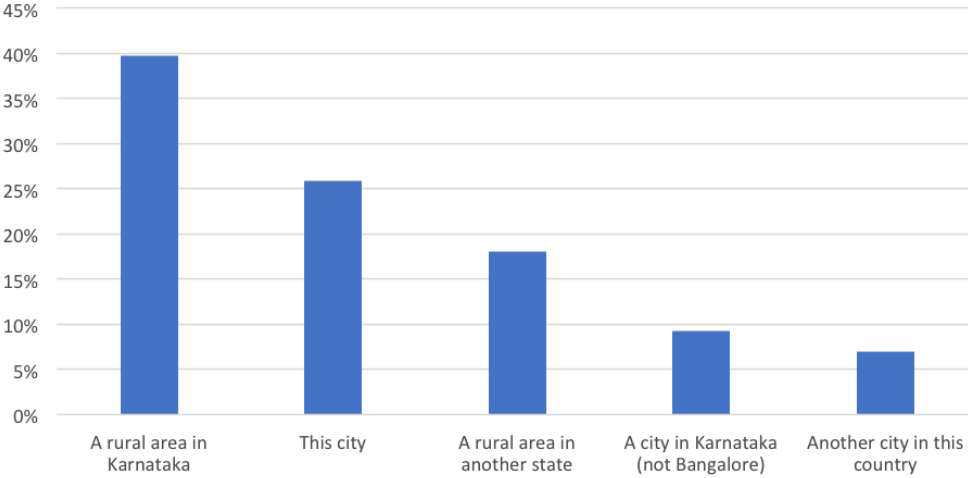


FIGURE 5: Enterprise Owner Origin Area Type



Three out of four (74%) food enterprise owners were migrants who had moved to Bangalore from elsewhere. Almost three-quarters (73%) came to the city because there were insufficient employment opportunities in their place of origin and more than half (52%) moved because of job opportunities in Bangalore (Table 3). Nearly 43% cited the non-viability of agriculture in their hometowns as a major push. Around one in five knew relatives or someone from their village in the city who could help them set up a business, while 15% moved to Bangalore to access education and about one in 10 (9%) moved to the city after getting married.

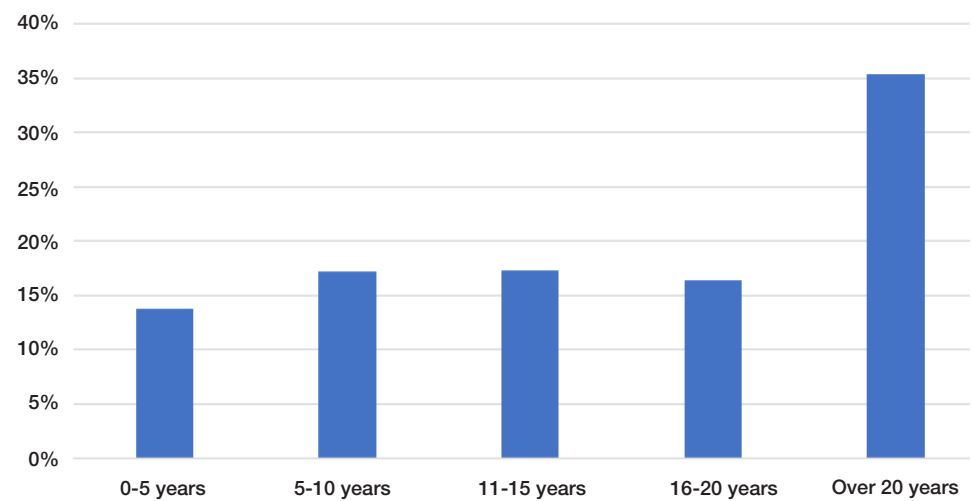
Relatively few food business owners were new migrants to Bangalore, however, with only 14% having lived in the city for less than five years. Over one-third (35%) had lived in the city for more than 20 years and around 16% between 16

and 20 years. The informal food sector therefore does not appear to be a major source of livelihood for new migrants to Bangalore.

TABLE 3: Reasons for Moving to Bangalore

	No.	%
No employment opportunities in hometown	543	73.4
Job opportunities in Bangalore	388	52.4
Farming work in hometown became unproductive	317	42.8
Make a life in the city	206	27.8
Family/relatives who could help me start a business	128	17.3
I wanted to access education opportunities in the city	111	15.0
I got married and that's why I came to this city	64	8.6
My parents brought me here	53	7.2
I had people from my village who could help me start a business	33	4.5
Other	49	6.6
Note: Multiple-response question		

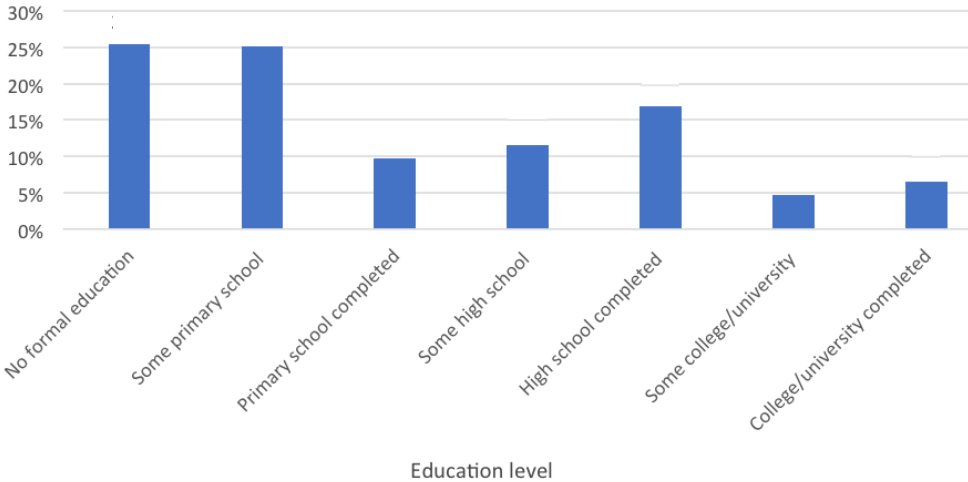
FIGURE 6: Years Lived in Bangalore



Levels of education were relatively low among the food vendors. One-quarter of the surveyed food business owners had no formal education and many had dropped out of school at various stages. Nearly one-quarter had not completed primary schooling, around 12% had dropped out before finishing high school, and about 5% had started but not completed university/college. However, one-tenth had completed primary school, nearly 17% had completed high school, and about 7% had finished their college education.

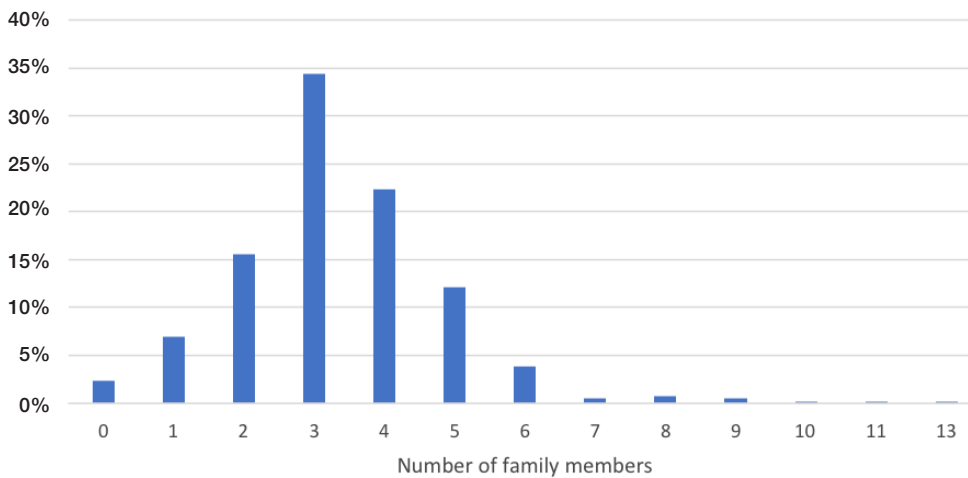


FIGURE 7: Food Vendor Level of Education



Around one-third of the vendors had three other members in their families, and nearly one-quarter had four others. Less than 3% had seven or more members in their families and around 2% had no other family members. Having no other earning member in the family was common, with 38% of the food business owners reporting this. However, there was one other earning member in more than 38% of the cases. Almost one-fifth of the owners reported having two other earning members in their families, but less than 2% reported having four or more.

FIGURE 8: Number of Family Members

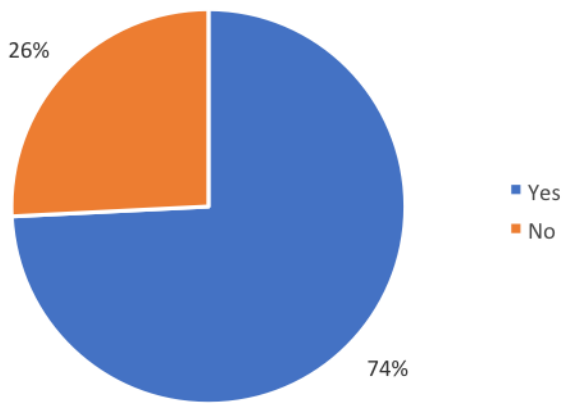


**FIGURE 9: Number of Other Family Members Earning Income**



Almost three-quarters (74%) of respondents had alternate occupations prior to starting their business (Figure 10). Of these, most (19%) had worked in the agricultural sector. Twelve percent had worked in the garment/textile industry while around 11% had worked in hotels or restaurants before starting their own enterprise. Around 14% had experience as unskilled manual workers in sectors including mining and construction, while 15% had run another informal sector business. Very few had experience as professionals or skilled workers, with only 2% having been employed in the formal sector.)

**FIGURE 10: Proportion with Previous Occupation**



**TABLE 4: Previous Occupations**

	No.	%
Agricultural worker	139	19.0
Textiles, garments and related trades worker	91	12.4
Operated own business (same activity)	80	10.9
Manual worker in mining or construction (unskilled)	72	9.8
Hotel/restaurant worker	71	9.7
Domestic worker	59	8.0
Operated own business (different activity)	32	4.4
Manual worker in manufacturing (unskilled)	32	4.4
Driver or mobile plant operator	31	4.2
Manual worker	26	3.5
Manual worker in mining or construction (skilled)	23	3.1
Retail/delivery boy	21	2.9
Housework (unpaid)	19	2.6
Police/military/security	17	2.3
Employed in informal sector	16	2.2
Manual worker in manufacturing (skilled)	14	1.9
Food processing and related trades worker	12	1.6
Student	12	1.6
Office worker	7	1.0
Craft and related trades worker	6	0.8
Businessman/woman formal sector	5	0.7
Market-oriented skilled agricultural and fishery worker	3	0.4
Health worker	3	0.4
Professional (e.g. lawyer, doctor, academic, engineer)	2	0.3
Corporate or general manager	2	0.3
Teacher	1	0.1
Other	12	1.6
<i>Note: Multiple-response question</i>		

The prospect of greater financial security was a major driver for starting a business, with 77% of respondents citing it as a motive. In addition, 68% said they needed money just to survive. Dissatisfaction with a previous job ranked highly for the 54% who said it was very difficult and 36% that it did not pay enough. Nearly one-quarter (23%) said they were unemployed and unable to find a job. Although most of these motivations can be classified as survivalist, nearly 80% indicated that they had always wanted to run their own business, which suggests that they saw the informal food sector as a viable space in which to pursue their ambition.

The vast majority of vendors (94%) operated only one business. Similarly, for 97% the business was their only source of income. The other 3% derived extra income from another business or from formal or informal employment.

TABLE 5: Reasons for Starting Business

	No.	%
I wanted to give my family greater financial security	773	77.3
I have always wanted to run my own business	770	77.0
I needed more money just to survive	679	67.9
My previous job was very difficult to continue	541	54.1
I wanted more control over my own time/to be my own boss	481	48.1
I had a job, but it did not pay enough	357	35.7
I was unemployed and unable to find a job	227	22.7
My family has always been involved in business	172	17.2
Inherited from family	164	16.4
I wanted to provide employment for members of my family	157	15.7
I had a contact person or relatives who helped me start the business	155	15.5
I wanted to provide a service/product to consumers in my neighbourhood	135	13.5
I had a job, but it did not suit my qualifications and experience	84	8.4
I wanted to make more money to send to my family in my home area	73	7.3
Everybody else was doing it, so I also decided to join in	62	6.2
I wanted to provide employment for other people	41	4.1
I wanted to provide employment for people from my home area	23	2.3
I wanted to provide a service/product to consumers in other parts of this city	23	2.3
I decided to go into business in partnership with others	15	1.5
Note: Multiple-response question		

Informal Food Vendors in Bangalore





































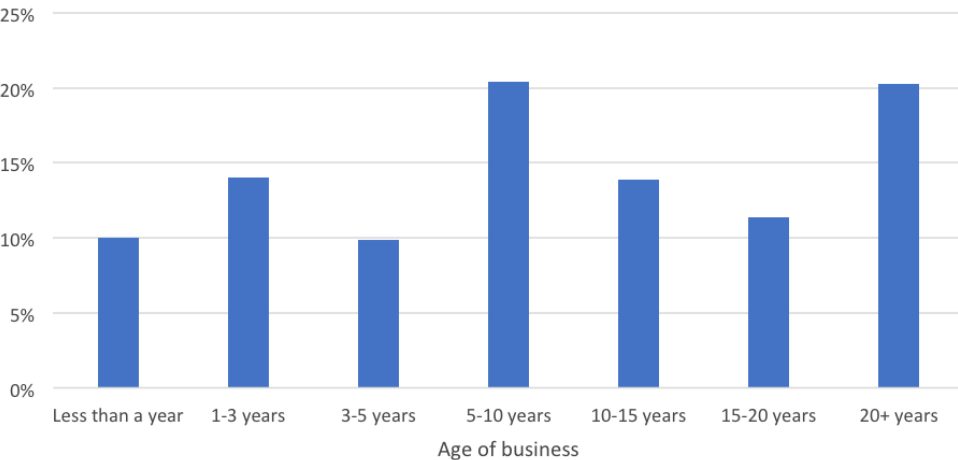


# 4. FOOD ENTERPRISE STRUCTURE

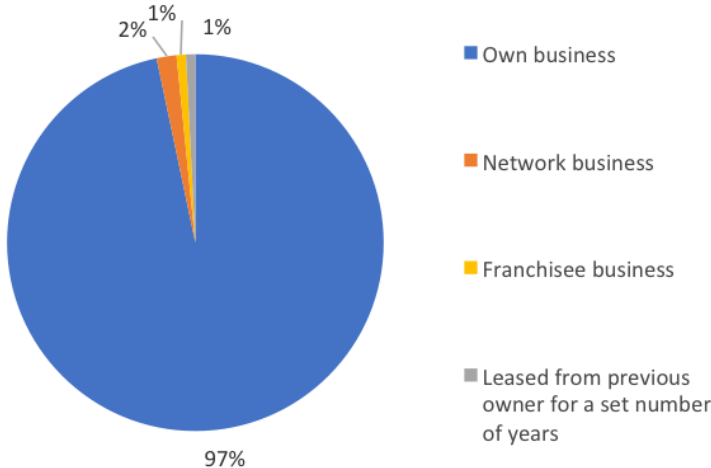
In many of the other cities in the Hungry Cities Partnership, informal food vending has increased dramatically over the last few years. In Bangalore, however, only one-third (34%) of the businesses were less than five years old, and 10% had been in operation for less than a year (Figure 11). The larger share (65%) had been in operation for five years or more, with nearly 20% being more than 20 years old.

Nearly all the respondents (97%) were sole owners of their businesses (Figure 12). Less than 2% were “network vendors”. These vendors manage the food business while the capital and infrastructure are handled by the official owner who may have several other similar businesses, thus forming a network of businesses or of food vendors. A few of the businesses surveyed were franchisees or had been leased for a set number of years.

**FIGURE 11: Years of Business Operation**

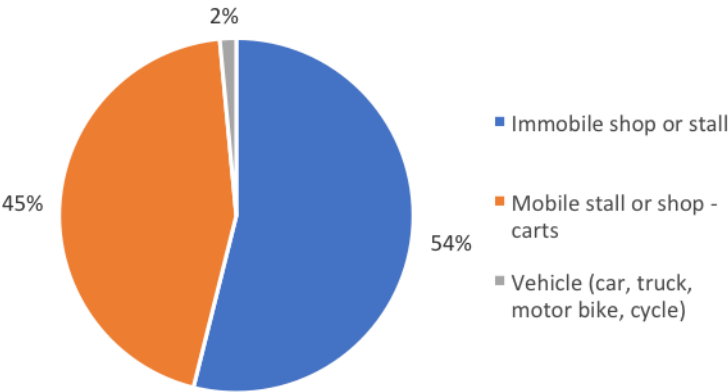


**FIGURE 12: Enterprise Ownership Type**



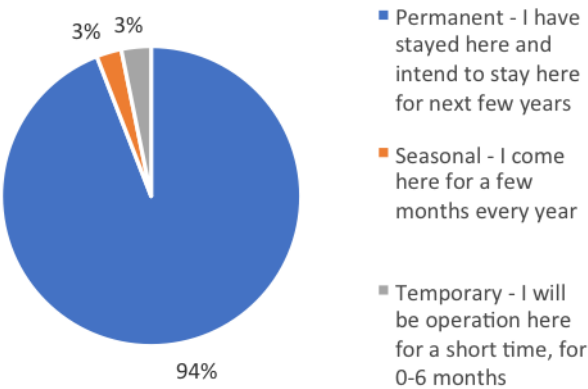
Over half (54%) of the sample had immobile shops/stalls while 45% had mobile stalls with push carts and bicycles (Figure 13). Less than 2% were based out of a car, truck, or motorbike).

**FIGURE 13: Type of Food Vehicle**



Ninety-four percent of the sample had permanent businesses in the city and intended to continue operating for at least a few years (Figure 14). Seasonal and temporary businesses were uncommon, with only 3% involved in each.

**FIGURE 14: Nature of the Enterprise**



Bread, biscuits, and other bakery products were the most commonly sold food products with 31% of the surveyed businesses selling these (Table 6). Just over one-quarter (27%) sold fruits and around 24% sold vegetables. Tea and coffee were the next most commonly sold items, available in 18% of the businesses, and coconut water in 17%. Fried snacks were offered by 15% of the businesses. However, other snack items such as chaat (5%), cut fruits (3%), corn (3%), paani puri (2%), and momos (less than 1%) were uncommon. Of the staples, rice was sold in 10% of the businesses, dals in 11%, and wheat in 6%. Meat shops were rare, with only 0.4% selling seafood and 2% selling other meats. Around 6% of the businesses sold breakfast and lunch and 4% sold dinner.

**TABLE 6: Types of Food Sold**

	No.	%
Bread, biscuits and other bakery products	306	30.6
Any fruits	274	27.4
Vegetables including green leafy vegetables	238	23.8
Coffee	179	17.9
Tea	178	17.8
Coconut/coconut water	170	17.0
Fried snacks	150	15.0
Potatoes, sweet potatoes, beetroots, carrots, and other tubers	146	14.6
Eggs	140	14.0
Cheese, yoghurt, milk or other milk/dairy products like paneer	137	13.7
Condiments – salt, pepper, garam masala	112	11.2
Foods made from pulses – tur, arhar, urad, moong, masoor, gram, beans, peas	108	10.8
Rice	100	10.0
Juice – lime, lassi, fruit and vegetables, soda	97	9.7
Peanuts	90	9.0
Sugar, jaggery, honey	81	8.1
Prepared sweets of all types	71	7.1
Breakfast meals – idli, dosa, poha, upit, baath of any type, eggs	62	6.2
Lunch meals – rice, chapatti, sambar, vegetable/non-vegetable curry	62	6.2
Wheat	57	5.7
Dried fruit	52	5.2
Other chaat items	46	4.6
Ice cream	43	4.3
Dinner meals – rice, chapatti, sambar, vegetable/non-vegetable curry	38	3.8
Paan	33	3.3
Corn	32	3.2
Cut fruits	31	3.1
Any beef, pork, lamb, goat, chicken, duck, other birds	18	1.8
Paani puri	18	1.8
Fresh fish, dried fish or shellfish	4	0.4
Momos	1	0.1
Other	102	10.2
<i>Note: Multiple-response question</i>		

Nearly two-thirds (61%) of the enterprises operate rent free, with 43% doing so without permission (Figure 15). Only 5% operate on space they own. Almost one-third of businesses pay rent regularly to a private owner and 2% to the local municipality. One in five (19%) pay city authorities for a licence to operate (Figure 16). Nearly 90% claimed to pay no fees to anyone for their day-to-day operations while 11% said they pay police authorities regularly.

FIGURE 15: Payments for Vending Space

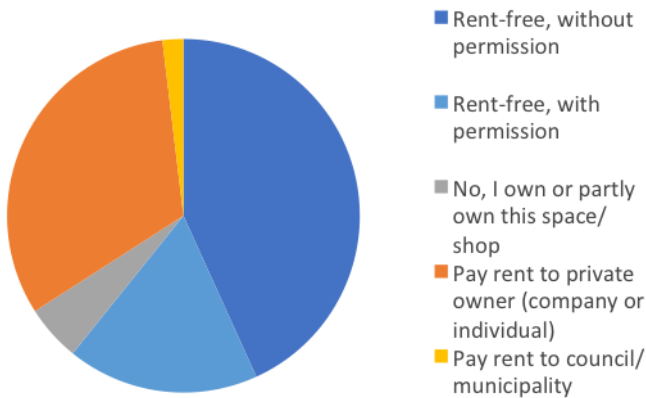
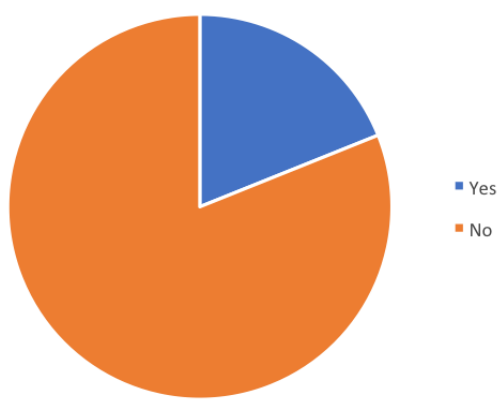


FIGURE 16: Operating Licences



Most vendors stored food for sale on their business premises (83%) (Figure 17). Just under one-third (29%) also stored food at home (Table 7). For storage, only 15% had access to a refrigerator and 8% a freezer.

FIGURE 17: Storage of Food on Business Premises

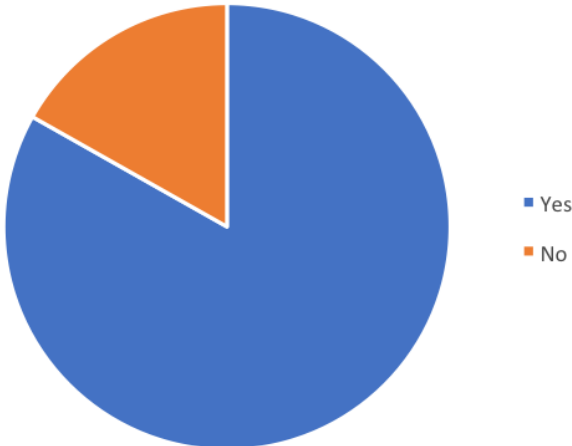


TABLE 7: Storage Facilities Available

	No.	%
Storage at home	287	28.7
Refrigerator	150	15.0
Freezer	83	8.3
Cooler	22	2.2
Locked box	11	1.1
Note: Multiple-response question		

## 5. VENDOR BUSINESS STRATEGIES

Locational strategy is an important component of business operations; both where owners decide to locate and why they choose those locations. Because nearly half of the businesses were mobile, many targeted more than one type of area. As Table 8 shows, proximity to where customers live was important for over two-thirds (69%) of the businesses. Proximity to city markets and customers at work (commercial areas) were important for around one-third. Locations near transport hubs such as bus stations (36%), auto stations (transport hubs where rickshaws congregate) (21%), and near schools (16%) were important for a significant minority.

TABLE 8: Enterprise Location

	No.	%
Near residential area	685	68.5
Near bus station	359	35.9
Near market area	322	32.2
Near commercial area	271	27.1
Near auto station	205	20.5
Near school area	163	16.3
Near industrial area	162	16.2
Near religious institution	143	14.3
Near railway station	78	7.8
Near large restaurant	49	4.9
In my home	16	1.6
At customer's home	7	0.7
Other	41	4.1
Note: Multiple-response question		



Number of customers was the reason for location choice for nearly 84% of food retailers (Table 9). Most also cited proximity to their homes (78%) and the safety of the area (74%) as key factors. Being near public transport was important for 42% and around one-third said that being close to a market (34%), their friends and relatives (32%), and other enterprises (32%) influenced their decision. Access to water and electricity was important for nearly quarter of the sample. Most of the vendors consistently operated from the same location, with only 10% reporting that they had relocated in the previous 5 years. Most of these moved to gain access to a larger or more diverse customer base. Other reasons for moving included getting away from competitors and for safety reasons. About three-quarters (76%) had permanent spaces from which they operated while around one-quarter (23%) were mobile and moved daily.

**TABLE 9: Reasons for Choice of Location for Business**

	No.	%
There are many customers in this area	842	84.2
It is close to my house	784	78.4
It is a safe area – this is a low crime area	739	73.9
It is close to public transport	419	41.9
It is close to a market	343	34.3
It is close to other enterprises	319	31.9
Relatives or friends are in the area	316	31.6
It is distant from competitors	299	29.9
I have access to water/electricity services	244	24.4
It is a safe area	236	23.6
I have a permit to operate here	127	12.7
Rent/land price is low here	125	12.5
I own the land	45	4.5
Other	52	5.2
<i>Note: Multiple-response question</i>		

Among those who sold food at multiple locations, more than half (53%) spent between 5 and 10 hours a day travelling. Around 40% spent less than 5 hours and only 7% spent over 10 hours commuting.

City markets are the single largest source for food items, patronized by nearly two-thirds of the enterprises surveyed (Table 10). Meat markets are utilized by another 15%. Wholesalers serve a little over one-third (36%) of the businesses. No other potential sources, including producers/retailers, small shops/retailers, farms and factories are patronized by more than 2% of the businesses. None of the respondents shopped for supplies at supermarkets. A few (around 6%) produced their own food for sale.

TABLE 10: Sources of Food

	No.	%
Markets	617	61.9
Wholesalers	356	35.7
Meat markets	145	14.6
Self-produced	63	6.3
Other informal producers/retailers	44	4.4
Directly from factory	18	1.8
Small shops/retailers	15	1.5
Directly from farms	4	0.4
Supermarkets	0	0.0
Other	37	3.7
Note: Multiple-response question		

Transporting food from the point of purchase to the business location was most often done in an auto-rickshaw (by 42%) (Table 11). Over one-quarter (27%) had the food delivered by the distributors or suppliers and around 20% used their own vehicles to transport food to their businesses. Using public transport was rare.

TABLE 11: Modes of Food Transportation

	No.	%
Auto-rickshaw	411	42.2
Delivery by supplier/distributor/dealer	262	26.9
Use own vehicle to transport	197	20.2
By foot	150	15.4
Bike/cycle	102	10.5
Bus	77	7.9
Taxi	47	4.8
Shared transportation with others	26	2.7
Train	2	0.2
Other	0	0.0
Note: Multiple-response question		

Table 12 provides a list of various business strategies adopted by the vendors, and the importance of each. Almost two thirds (64%) of the vendors said they negotiate with suppliers for lower prices. Nearly half (47%) offer goods on credit to their customers and around 44% purchase stock in bulk for lower prices (though only 7% engage in bulk purchasing with other vendors). Extension of working hours, changing the items sold at different time of the year, and selecting operating hours based on the number of customers are deployed by 36%, 22% and 14% respectively. Use of mobile phones to coordinate with suppliers is relatively common (29%), but fewer use phones to take orders (14%) and receive pay-



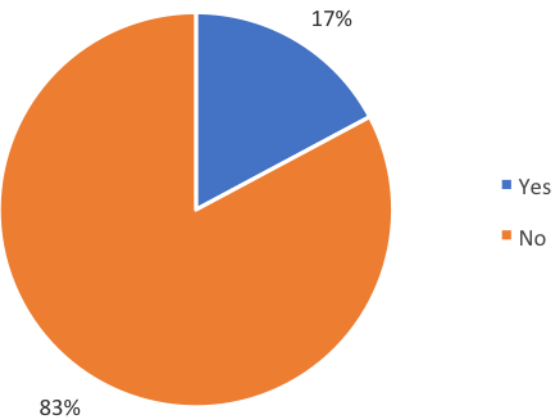
ments (13%). Most vendors do not keep business records, nor do they attempt to undercut their competitors by selling more cheaply. Explicit measures for protection of businesses were taken by very few which suggests that security and crime are not significant challenges as they are, for example, in cities such as Cape Town (Tawodzera and Crush 2019).

**TABLE 12: Business Strategies**

	No.	%
I negotiate for low prices with my suppliers	643	64.3
I offer credit for customers	468	46.8
I purchase stock in bulk myself	444	44.4
I extend my hours of operation	361	36.1
I use mobile phones to coordinate with suppliers	294	29.4
I change what I sell at different times of the year	219	21.9
I keep records of my business accounts	155	15.5
I open my business only during periods of the day when I have the most customers	143	14.3
I use mobile phones to take orders from customers	139	13.9
I charge different prices for different customers	135	13.5
I use Paytm, Tez etc. to receive payments from customers	130	13.0
I purchase stock in bulk together with others	68	6.8
I sell goods more cheaply than my competitors	68	6.8
I pay the police for protection	63	6.3
I look for the cheapest prices for goods by consulting newspapers/online messages	51	5.1
I partner with other businesses to share risks	22	2.2
I look for the cheapest prices for goods by asking other entrepreneurs	19	1.9
I sleep on my business premises	16	1.6
I purchase insurance for the enterprise	8	0.8
I pay for security guards	6	0.6
I pay community leaders for protection	4	0.4
I keep weapons for self-protection	3	0.3
Other	27	2.7
<i>Note: Multiple-response question</i>		

Most of the vendors (83%) said they had not noticed any change in food purchasing or demands of customers in the preceding year. Of the rest, nearly three-quarters introduced a new food item in their businesses and more than half had increased the stock of a certain item based on popular demand.

FIGURE 18: Change in Customer Food Purchases



The price-setting strategies of the vendors are listed in Table 13. Most of the vendors sell products using a mark-up on the price they paid to suppliers. One-quarter also sold products at Maximum Retail Price (MRP). In India, by law, all products have to carry an MRP and cannot be sold for more than this amount. Only 11% of the vendors said they negotiate with customers to find an agreed selling price.

TABLE 13: Price-setting Strategies

	No.	%
Set a marked-up price based on the price from the supplier	896	89.6
Based on MRP	258	25.8
Negotiate with customers	107	10.7
Given discounts to regular customers	51	5.1
Keep prices cheaper than competitors	35	3.5
Offer prices based on the apparent wealth of the customer	16	1.6
Other	23	2.3
Note: Multiple-response question		

Three-quarters (77%) of the vendors reported that they had regular customers (Figure 19). Close to one-third (31%) said they have 30 or more and 18% have between 10 and 20 regular customers. However, only 15% stocked items especially for their regular customers.

One of the features of food vending in many cities in the Hungry Cities Partnership is that food purchased for resale by vendors is not only consumed by paying customers. Only 13% of the Bangalore vendors said that the food they sell was consumed by customers alone. The families of over three-quarters of the vendors consume some of the food items and 61% of the vendors consumed some of their produce themselves (Table 14). Friends and neighbours also benefitted from this food source.

FIGURE 19: Number of Regular Customers

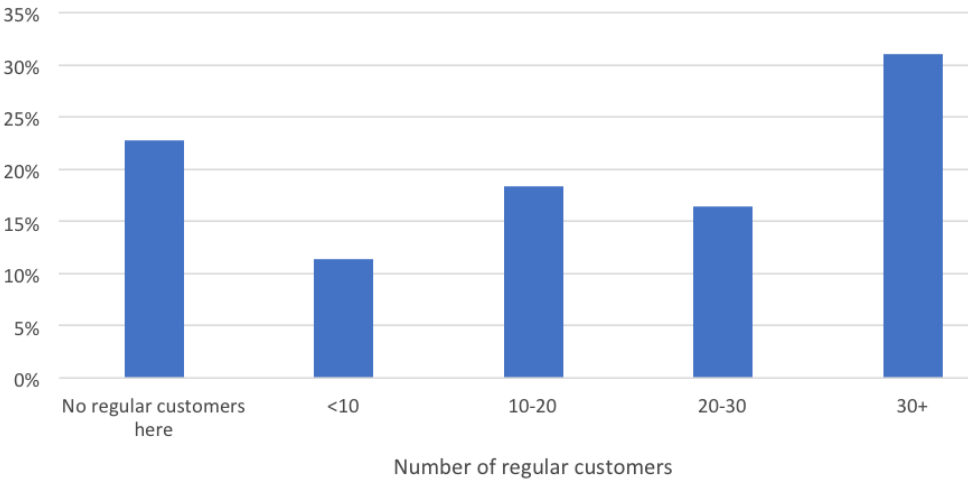


TABLE 14: Other Consumers of Food Sold at the Business

	No.	%
My family	777	77.7
Myself	606	60.6
My friends	234	23.4
My neighbours	199	19.9
My employees	53	5.3
Note: Multiple-response question		

## 6. FOOD ENTERPRISE FINANCES

Figure 20 summarizes the amount of start-up capital used by the vendors to start their small businesses. Sixty percent of the businesses used INR20,000 (USD281) or less. About 12% used between INR100,000 (USD1,408) and INR500,000 (USD7,042) and 0.7% used over INR500,000 to set up the business. The mean amount was INR56,605 (USD786) and the median INR15,000 (USD208). The maximum amount was INR800,000 (USD11,110).

Personal savings were the most common source of start-up capital for food business owners for over half (57%) of the respondents. Nearly one-third relied on local money lenders for loans. Social networks opened up other sources for a small number. Around 13% obtained loans from non-relatives, 8% from relatives, and 4% reported receiving gifts from relatives. Micro-finance institutions were used by 8% of the vendors. Loans from banks were used by only 3%. Informal financial institutions and government schemes were relatively insignificant.

FIGURE 20: Start-up Capital

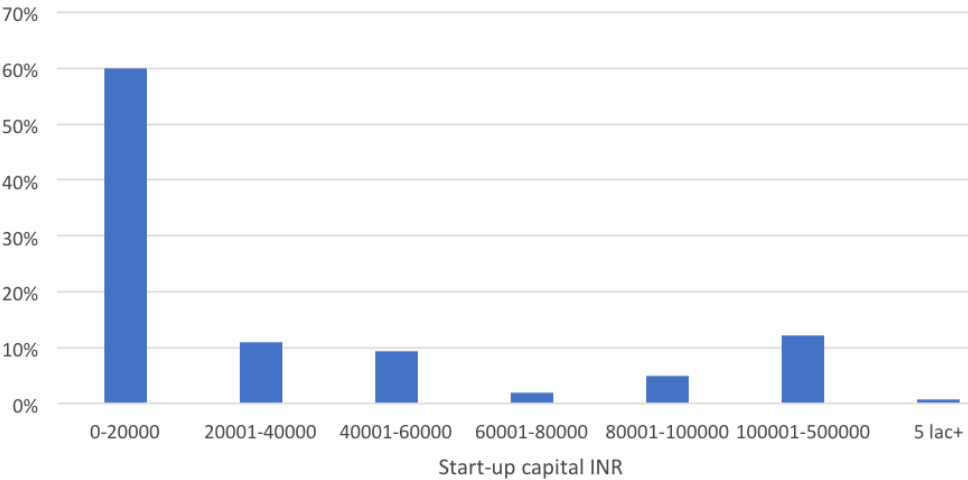


TABLE 15: Start-up Capital Sources

	No.	%
Personal savings	574	57.4
Money lenders	328	32.8
Loan from non-relatives	133	13.3
Loan from a micro-finance institution	82	8.2
Loan from relatives in this country	77	7.7
Gift from relatives	35	3.5
Loan from a bank (nationalized/private/cooperative)	28	2.8
Business credit (goods on terms)	27	2.7
Loan from informal financial institution	12	1.2
Money from relatives in another country	4	0.4
Loan through government scheme	1	0.1
Loan from religious institution	0	0.0
Loan from an NGO	0	0.0
Other	67	6.7
Note: Multiple-response question		

A little over one-third (35%) of respondents had borrowed money for business operations in the preceding year (Table 16). Of these, 38% had obtained loans from money lenders and 23% from micro-finance institutions. Loans from banks were taken out by only 4%, again confirming that the informal food sector is disconnected from formal financial institutions. No government scheme was made use of by any of the respondents.

**TABLE 16: Loan Sources**

	No.	%
Money lenders	130	38.0
Loan from a micro-finance institution	79	23.1
Loan from non-relatives	70	20.5
Business credit (goods on terms)	55	16.1
Loan from relatives in this country	39	11.4
Loan from a bank (nationalized/private/co-operative)	14	4.1
Loan from informal financial institution	9	2.6
Personal savings of money earned by the respondent	6	1.8
Gift from relatives	3	0.9
Loan from religious institution	0	0.0
Money from relatives in another country	0	0.0
Loan through government scheme	0	0.0
Loan from an NGO	0	0.0
Other	20	5.8
<i>Note: Multiple-response question</i>		

Despite the extremely low level of bank involvement in business start-up and operations, close to three-quarters (73%) of respondents had a bank account. Of these, only about 10% had applied for a bank loan for their operations (of which two-thirds were successful). Insufficient collateral or guarantees and incomplete documentation were the most often cited reasons for denial. Interestingly, only 39% of the vendors believed that banks were reluctant to lend to informal businesses. Of these, most believed it is due to informal vendors having insufficient guarantees and collateral (Table 17). More than half felt that banks' reluctance was because of a lack of certainty of repayment and nearly one-third believed that banks do not see informal enterprises as viable.

**TABLE 17: Perceptions of Reasons for Bank Lending Reluctance**

	No.	%
Businesses have insufficient guarantees/collateral	266	78.5
Banks think that the loan will not be repaid	193	56.9
Businesses have insufficient initial capital	145	42.8
Banks believe informal enterprises are not viable	116	34.2
Banks only loan money to formal businesses	103	30.4
Other	22	6.5
<i>Note: Multiple-response question</i>		

Table 18 highlights the types of expenditures incurred by small informal food retailers in the month prior to the survey. The most important expense was the cost of the food sold at the business (98% of vendors). Transporting food was also a common expense, experienced by 63%. Payment for utilities and rent was reported by nearly 40%. Expenditures related to salaries and wages in the

preceding month were reported only by 7% and even fewer paid taxes, licence fees or for permits.

**TABLE 18: Types of Expenditures**

	No.	%
Cost of food sold at this business	980	98.0
Cost of transporting food	629	62.9
Utilities (water, electricity, heating)	371	37.1
Rental fees	350	35.0
Telecommunications (internet, mobile phone)	146	14.6
Employment expenses (salaries, wages, benefits)	72	7.2
Business taxes, licences and permits	38	3.8
Subcontracts	21	2.1
Financial services	12	1.2
Insurance	7	0.7
Other expenses	48	4.8
<i>Note: Multiple-response question</i>		

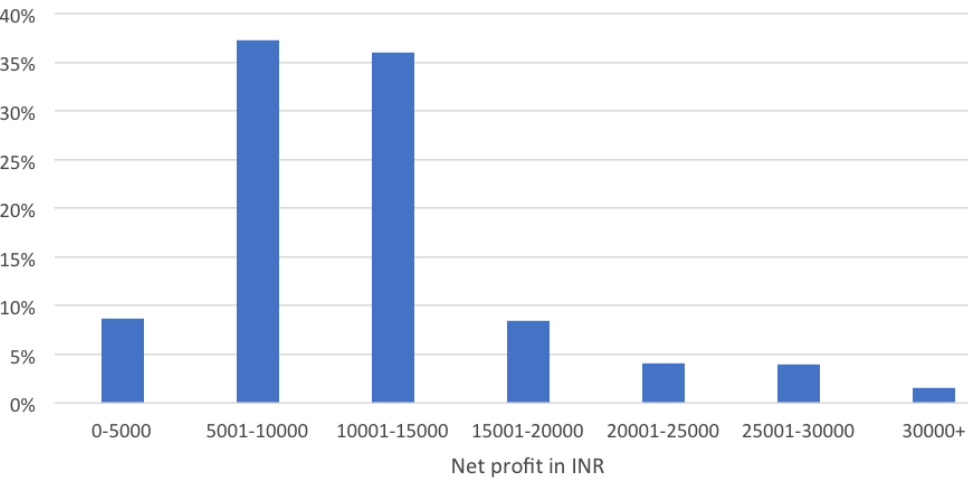
The mean expenditure on food purchase in the month prior to the survey was INR53,367 (USD752) (Table 19). Costs of transporting goods/products averaged INR3,293 (USD46). The average cost for the one-third of respondents who paid rent was INR7,129 (USD100). The mean employment cost was INR16,855 (USD237).

**TABLE 19: Business Costs**

	No.	Mean INR	Median INR	Standard deviation	Min INR	Max INR
Food costs	888	53,367	30,000	67,167.80	300	600,000
Transport	564	3,293	2,000	3,941.50	40	30,000
Utilities	342	1,237	600	1,629.10	60	12,000
Rental fees	337	7,129	5,000	8,316.50	300	100,000
Telecommunication	136	216	200	214.00	5	2,000
Employment	66	16,855	10,000	17,996.50	900	100,000
Other costs	43	2,994	1,800	3,374.90	15	15,000
Taxes and licences	33	2,914	1,500	3,047.20	90	11,000
Subcontract	12	8,033	1,600	19,738.10	50	70,000
Financial services	5	1,200	1,500	1,255.00	0	3,000
Insurance	2	12,742	12,741.50	17,336.10	483	25,000

Close to three-quarters (73%) of the sample reported profits between INR5,000 and INR15,000 (USD70–211) in the previous month (Figure 21). Only 18% reported profits of over INR15,000 (USD211). The mean net profit was INR12,963 (USD180) and the median was INR12,000 (USD166) (standard deviation 8,427 (USD117)). The maximum INR120,000 (USD1,666). Only 8% of the businesses said they pay tax on their earnings.

FIGURE 21: Net Profit



Over one-third (38%) of food business owners valued their businesses at under INR10,000 (USD141) and 18% between INR10,000 and INR20,000 (USD141-242). Around 14% valued their businesses at INR100,000 (USD14,085) or more. The median value, however, was INR20,000 (USD282) and the mean INR75,152 (USD1,058). The minimum was INR150 and the maximum INR3,000,000. The profile of current business values is similar to the profile of start-up capital (Figure 22). For example, a total of 60% of the vendors started their enterprise with INR20,000 or less, which is very similar to the 55% who put the same current value on their enterprise. This suggests that there has not been major business expansion over time; a reflection of the tight profit margins in food vending and the fact that vendors also utilize business income and food stocks to provide for their families.

FIGURE 22: Estimated Current Business Value

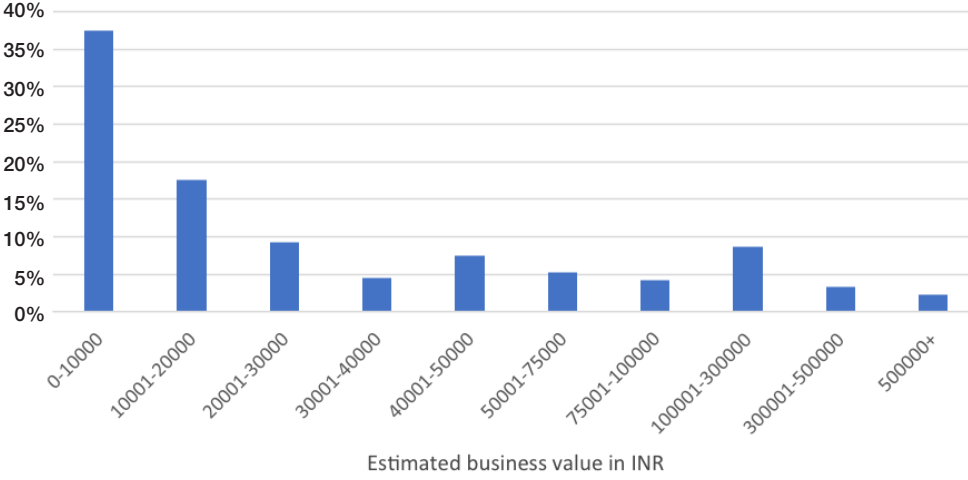
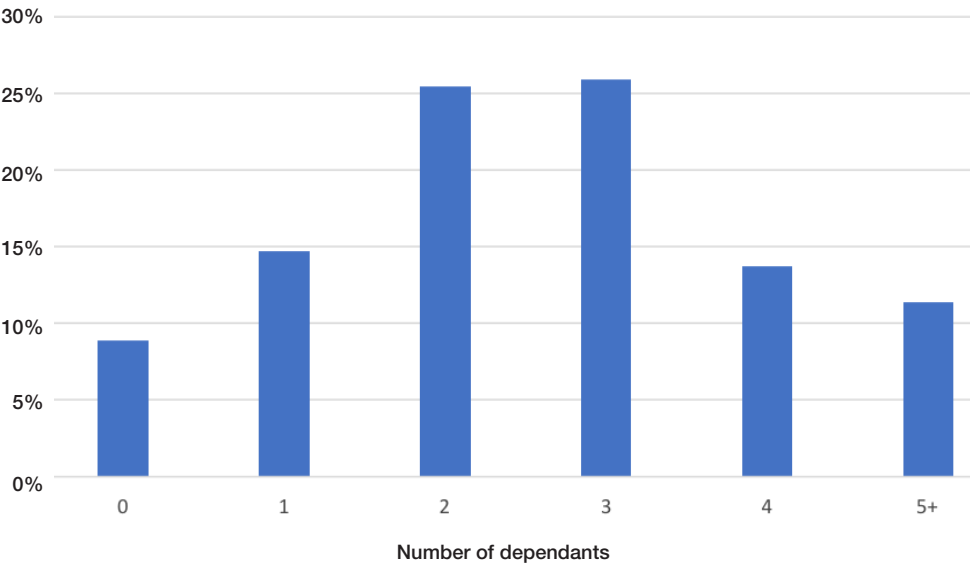


Figure 23 shows the number of people, excluding the owner, who depend on the profits of the business. Less than 10% of the vendors had no dependants. Most had two (26%) or three (26%) and 11% had five or more. The associated question is how much of the profits become part of household income and are therefore unavailable for reinvestment in the business. This question has two parts: the total income of the vendor’s household and what proportion of that is derived from the food-vending business.

**FIGURE 23: Number of Dependants**



The mean monthly household reported income was INR19,222 (USD267) and the median was INR15,000 (USD211). Nearly half reported a household income of INR15,000 (USD211) or less while only 10% had an income of over INR30,000 (USD422) (Figure 24). For over half (56%) of the respondents, income from the business constituted 90% or more of their household income (Figure 25). Another 15% said income from the business constituted 41-50%. Less than 1% said it constituted less than 10% of household income.



FIGURE 24: Household Income per Month

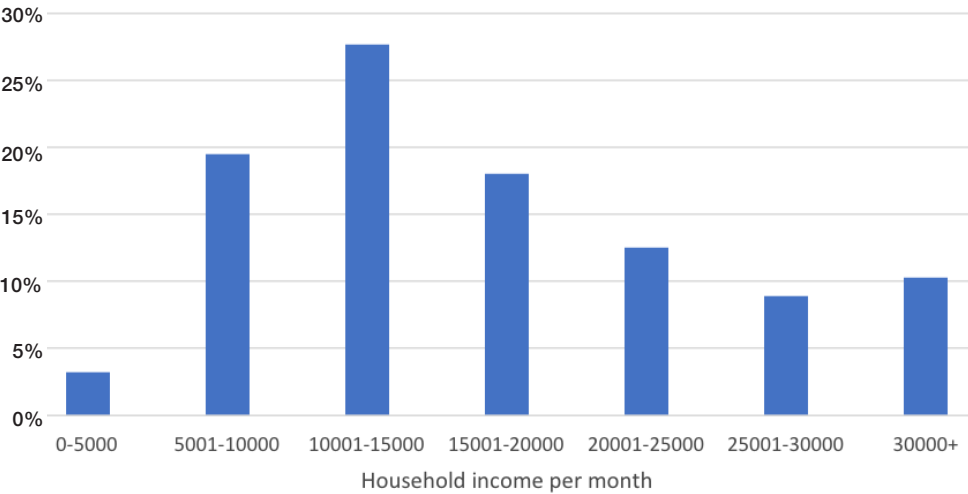
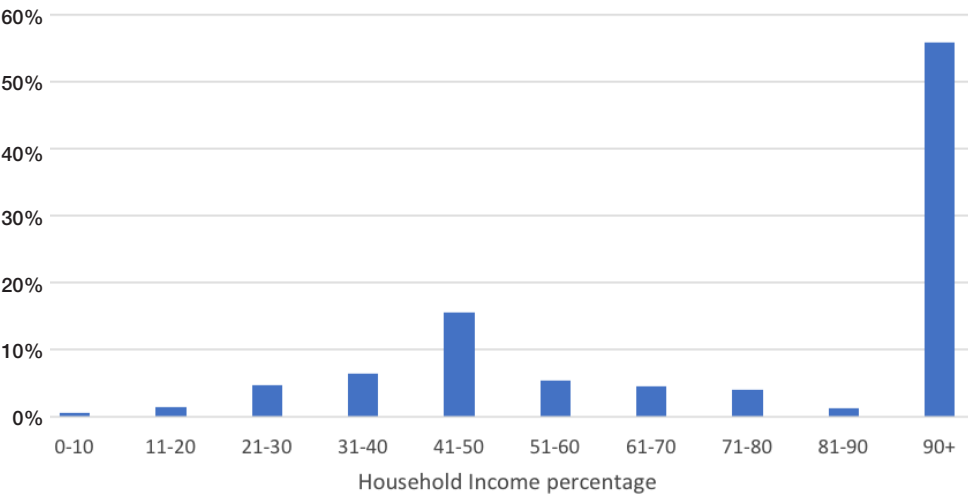


FIGURE 25: Proportion of Household Income from Food Enterprise



## 7. VENDOR BUSINESS CHALLENGES

Table 20 lists the different challenges faced by food vendors in Bangalore. The primary challenges are all economic, including too few customers (83%), insufficient sales (56%), and too much competition (52%). Around one-third said they lacked access to credit and customers did not pay their debts. The main operating challenge is the lack of storage (for 24%), while very few (less than 5%) said they are restricted by a lack of training in business skills. The main policy-related challenge is demonetization and other government interventions. In November 2016, the Government of India demonetized the INR500 and INR1,000

banknotes with the primary aim of curbing the black market, fake currency, and corruption. The government later stated that increasing the tax base and the informal economy were also part of the objectives. However, it took some time for new notes to come into circulation. During the interim period, the availability of cash for transactions was severely constrained. Further confirmation of the fact that security and crime are not significant challenges is provided by the small number of vendors who regarded these as challenges to their business.

**TABLE 20: Challenges Faced by Food Vendors**

	No.	%
<b>Economic challenges</b>		
Too few customers	833	83.3
Insufficient sales	557	55.7
Too many competitors around here	522	52.2
Customers don't pay their debts	342	34.2
Lack of access to credit	333	33.3
Suppliers charge too much	165	16.5
Competition from supermarkets/large stores	153	15.3
<b>Operating challenges</b>		
Storage problems	238	23.8
Restricted by lack of relevant training in accounting, marketing, other business skills	38	3.8
No refrigeration	34	3.4
<b>Policy challenges</b>		
Demonetization or other government interventions	474	47.4
Goods and Services Tax reform	90	9.0
<b>Security challenges</b>		
Harassment/demands for bribes by police	108	10.8
Crime/theft of goods/stock	99	9.9
Crime/theft of money/income	55	5.5
Verbal insults against your business	45	4.5
Conflict with entrepreneurs from other communities/castes/religious groups	18	1.8
Physical attacks/assaults by citizens	14	1.4
Prejudice against my nationality/regional identity	10	1.0
Confiscation of goods by police	9	0.9
Conflict with entrepreneurs from within own community/caste/regional/religious group	7	0.7
Prejudice against my gender	6	0.6
Arrest/detention of yourself/employees	2	0.2
Physical attacks/assaults by police	0	0.0
<i>Note: Multiple-response question</i>		

A small minority (less than 10%) had lost money to theft, confiscation, bribes or assaults in the preceding 12 months. The highest number of cases involved police harassment or demands for bribes and the theft of cash, goods, and stock. These enterprises had lost an average of nearly INR5, 800 (USD81) to bribes to the police in the year preceding the survey. However, with 97 reported incidents, the highest amount lost was to theft and crime, ranging from INR50 to INR500,000 (USD0.70-7,042), with an average loss of just under INR21,000 per business (USD295). Confiscation of money/income by police and other local authorities seems to be an issue for some, with 53 businesses reporting an average loss of nearly INR12,000 (USD169).

**TABLE 21: Amounts Lost Due to Crime**

	% affected	Mean (INR)
Police harassment/demands for bribes	9.8	5,793
Crime/theft of cash, goods and stock	9.7	20,928
Confiscation of money/income	5.3	11,964
Physical attacks/assaults by citizens	1.3	2,700
Confiscation of goods by police	0.9	1,878

Close to half (45%) of the businesses said they did not require electricity to function, while roughly the same percentage (43%) said they did (Figure 26). The rest use battery-operated lighting. Power outages are relatively common in Bangalore (*Times of India* 2019). Of the businesses that require electricity, almost 90% had operated without it at least once in the previous year (Figure 27). Nearly half (45%) had gone without it more than 10 times and only 12% said they had not had to operate without electricity.

**FIGURE 26: Use of Electricity**

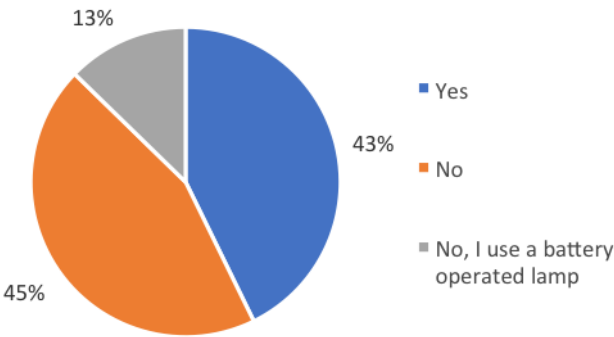
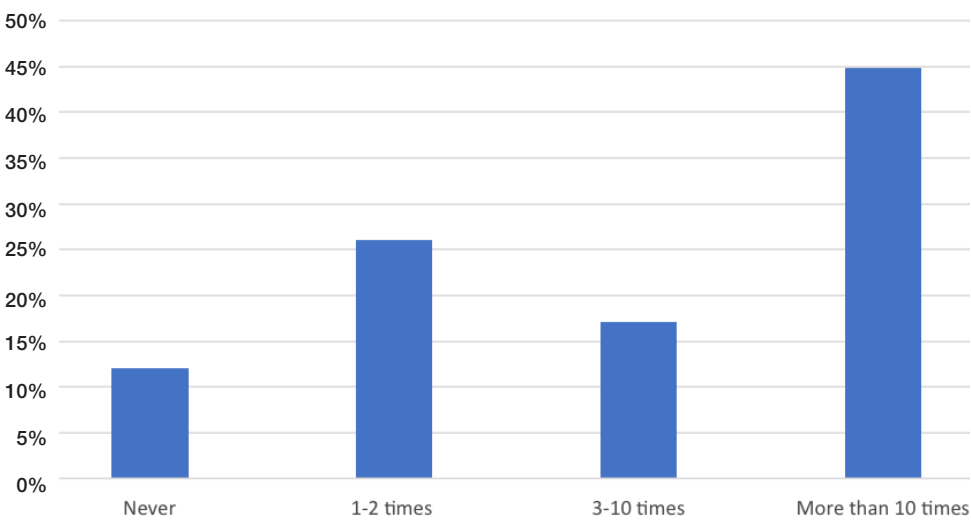


FIGURE 27: Frequency of Operating Without Electricity



Competition from supermarkets and other large stores is not a significant problem (mentioned by only 13%). About 15% of respondents reported that supermarkets attracted customers away from their businesses, 13% that supermarkets are direct competitors, and 11% that they target the same customers (Table 22).

TABLE 22: Supermarket Effects on Food Vending Businesses

	No.	%
Supermarkets have not affected my business	787	78.7
Supermarkets attract customers away from my business	147	14.7
Supermarkets are competitors with my business	132	13.2
Supermarkets target the same customers as my business	107	10.7
Supermarket prices cause me to change the price of the food I sell	63	6.3
Supermarkets attract customers towards my business	36	3.6
Supermarkets assist my business	31	3.1
Other	14	1.4
Note: Multiple-response question		

## 9. FOOD ENTERPRISE EMPLOYMENT

Most of the surveyed businesses are single-person operations (Figure 28). Less than one-third (29%) had staff (Figure 29). Most of these had just one employee (82%), 13% had two, while 4% had three. In total, there were 292 employees in the sample. Two-thirds of the employees were male (Figure 30). While the employees covered a wide age range, most were relatively young (Figure 31). Nearly half were under the age of 30. Thirty percent were between 35 and 50 years old.

FIGURE 28: Presence of Employees

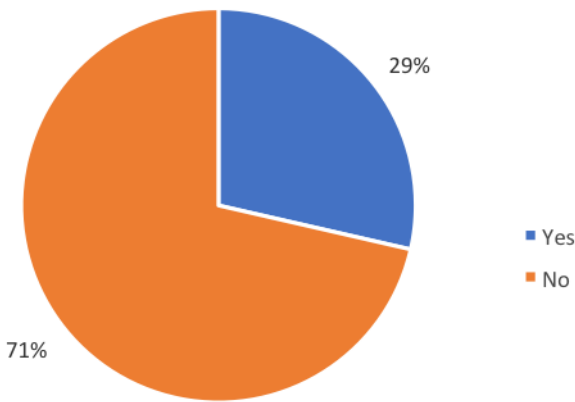


FIGURE 29: Number of Employees

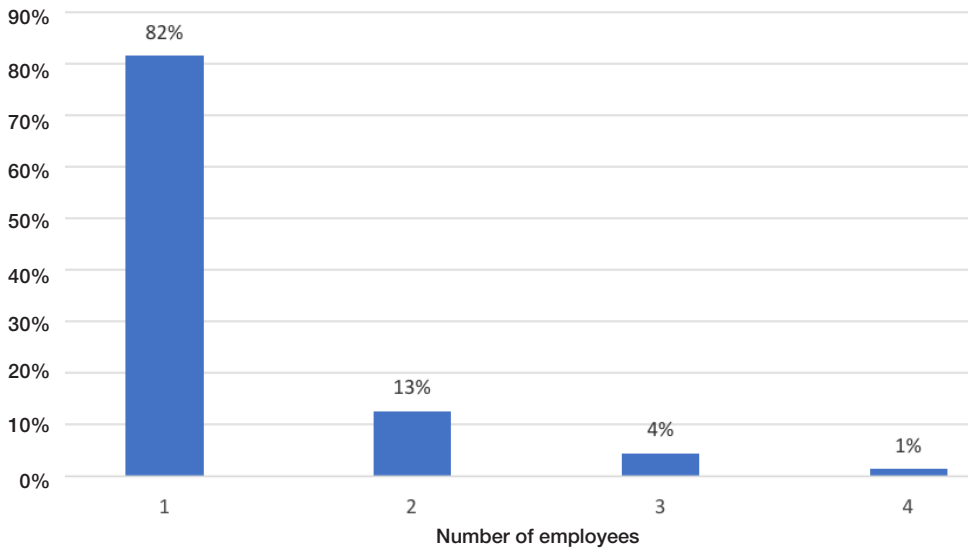


FIGURE 30: Sex of Employees

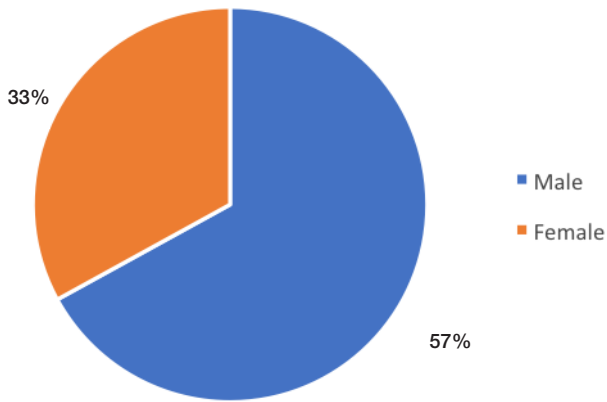
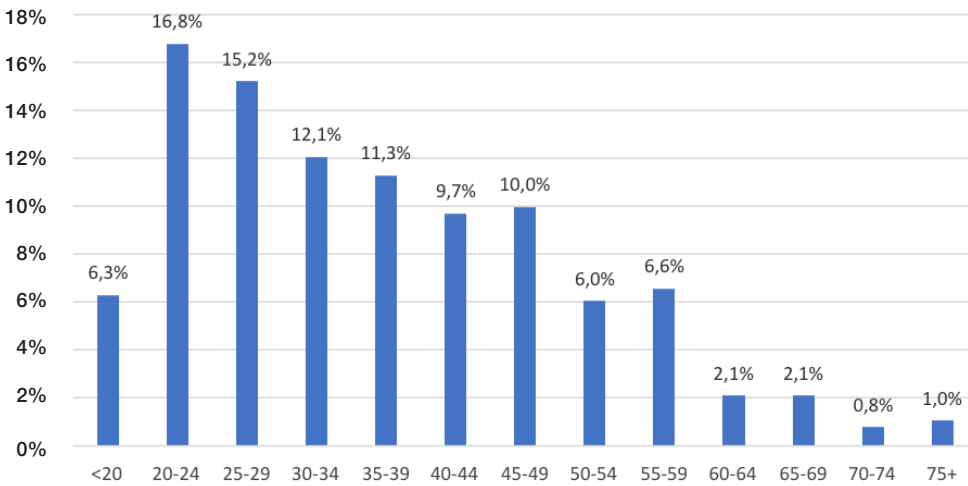
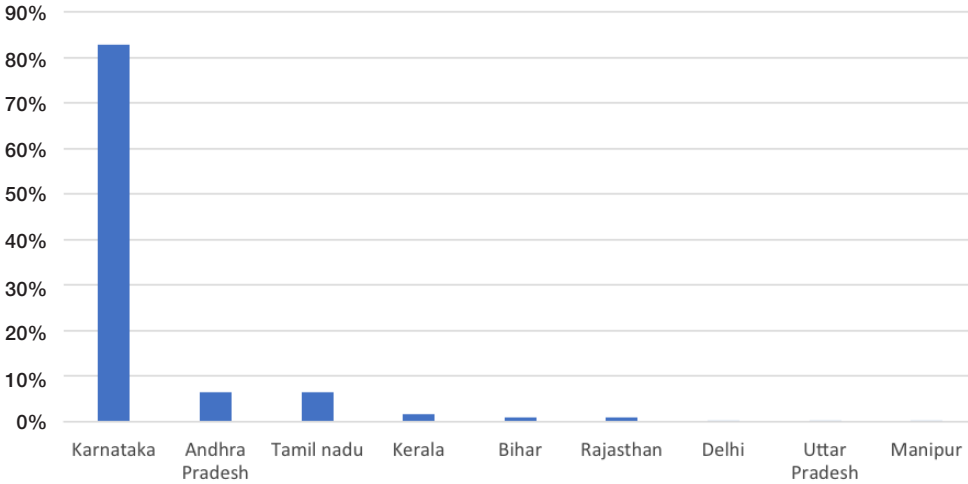


FIGURE 31: Age Range of Employees



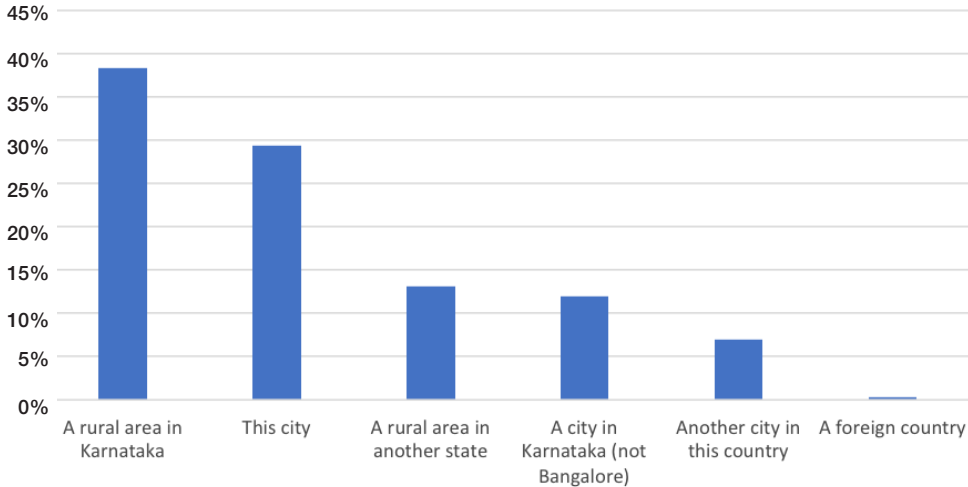
The employees were mostly from southern states of India, just like the owners of the informal food businesses. Nearly 83% of the employees were from Karnataka (in which Bangalore is located), followed by Andhra Pradesh and Tamil Nadu (both 6%). Among the northern states, Rajasthan and Bihar were home to around 1% each, while Delhi, Uttar Pradesh and Manipur were home to a very small number. The employees were mostly from rural areas (51%), with 38% from rural parts of Karnataka (Figure 33). Just under one-third (29%) were from Bangalore and another 12% were from other urban areas in Karnataka.

FIGURE 32: Origin State of Employees



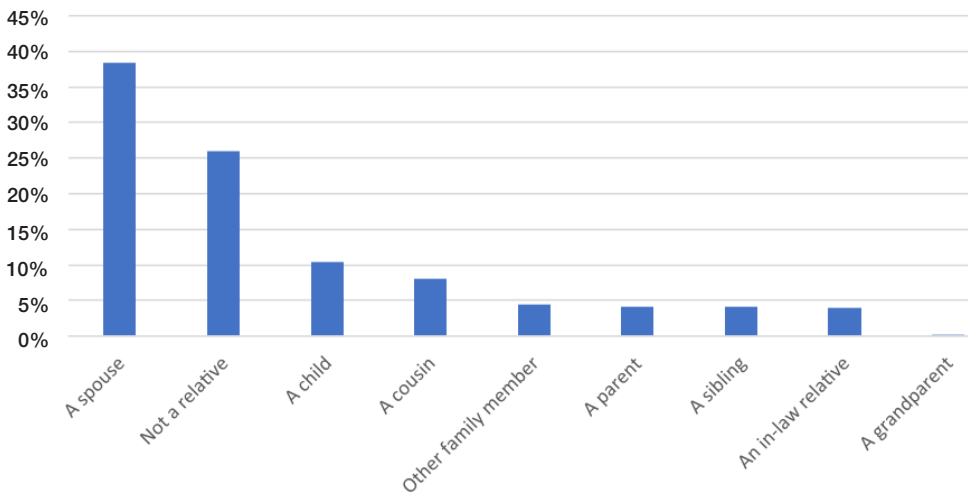


**FIGURE 33: Origin Area of Employees**



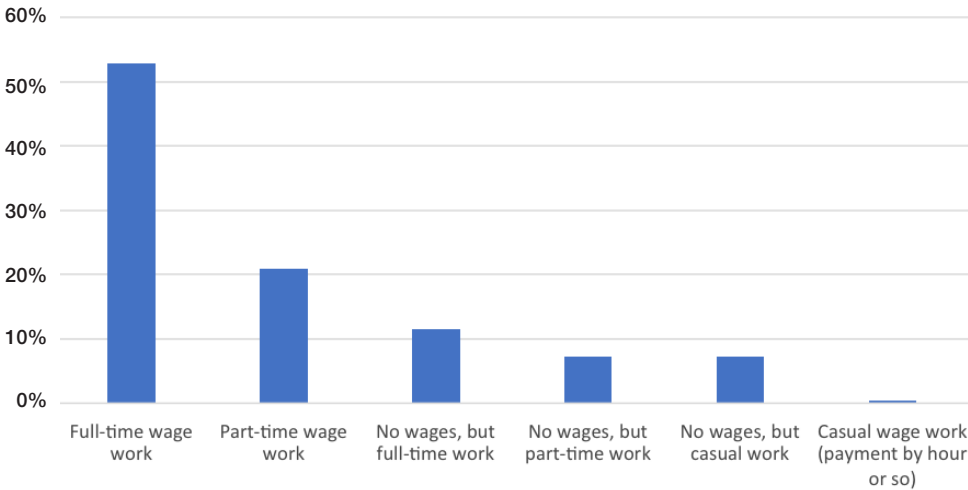
Close to three-quarters of all staff were relatives of the owner/operator. Thirty-nine percent were the spouse and 11% were children of the owner (Figure 34). Other relatives (including parents, siblings, and cousins) made up 25% of the employees. Only 26% were unrelated to the owner.

**FIGURE 34: Employee-Owner Relationship**



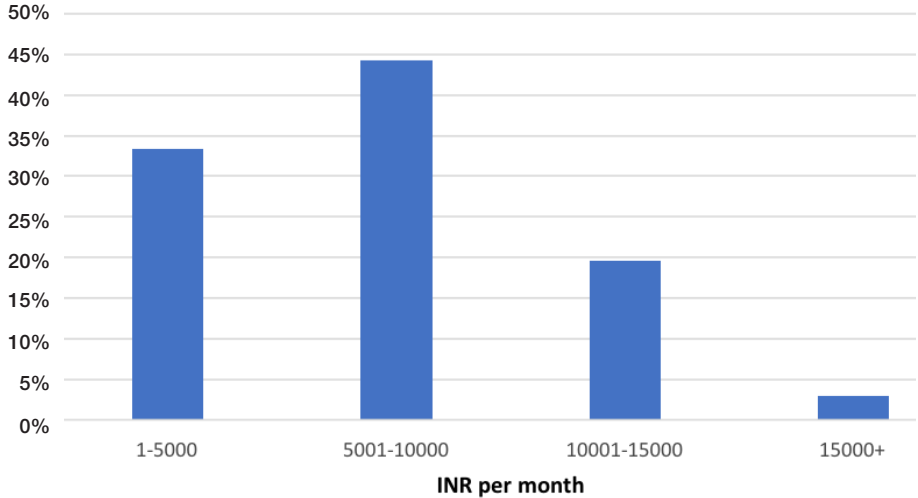
Over half (53%) of the staff were employed full time with a wage and around one-fifth (21%) were employed part time with a wage (Figure 35). Of the respondents whose spouses were employed, almost half (46%) worked part-time and 39% worked full-time. Nearly 26% of employees worked without wages and did casual, full-time, and part-time work.

**FIGURE 35: Employee Work Status**



Three-quarters of the employees were paid INR10,000 (USD140) or less per month and one-third were paid less than INR5,000 (USD70) per month (Figure 36). Only 3% earned over INR15,000 per month (USD211). Only two of the businesses provide any work benefits to their staff.

**FIGURE 36: Employee Salaries**



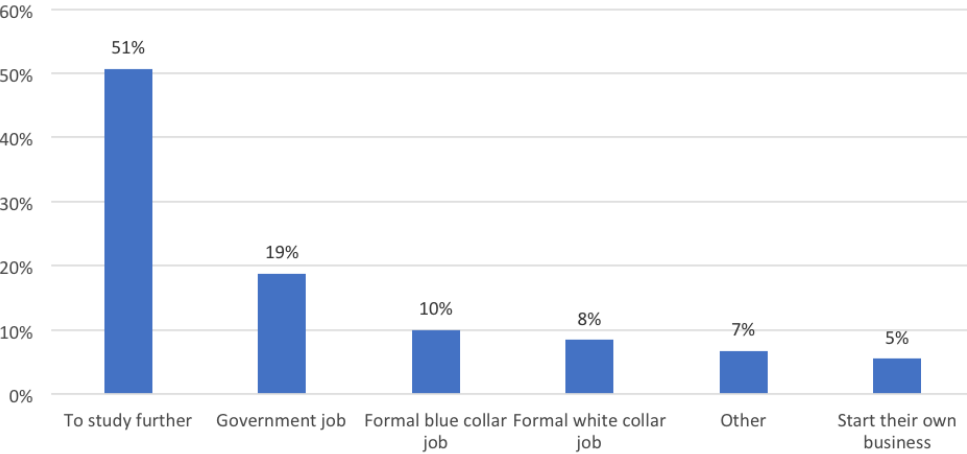
# 10. ASPIRATIONS OF FOOD ENTERPRISE OWNERS

While nearly half of the business owners wanted to expand their operation and own multiple businesses within three years, only 7% wanted to grow sufficiently to be able to register (Table 24). Less than 6% aspired to expand their business to other parts of the city. Only 5% intended to retire and 6% to be in formal employment. Three-quarters (75%) of the food business owners said that their children did not want to run the business, while only 9% said their children intended to take it forward. Around 50% reported that their children had plans to study further and the children of 37% wanted to get a government job (19%), a blue-collar job (10%) or a white-collar job (8%) (Figure 37). Less than 5% wanted to start their own business in the future.

TABLE 23: Business Aspirations

	No.	%
I intend to expand my business operations and own several businesses	463	46.3
I want to grow my business so I can register it	73	7.3
I intend to be working in formal employment instead	63	6.3
I intend to expand my business to other locations in the city/area	58	5.8
I intend to retire from running a business	49	4.9
I intend to return to my home area to live and work	44	4.4
I intend to relocate my business to another city	27	2.7

FIGURE 37: Children’s Plans



# 11. CONCLUSION

The findings of the informal food vendor survey in Bangalore shed light on the role of the informal economy in creating and facilitating employment opportunities for a large number of people, especially for those from poor and marginalized backgrounds. Major findings on the informal food sector in Bangalore include the following:

- Female food vendors make up only 22% of the sample. Even though the sampling method was not completely random, the low percentage of women suggests that there are gender-based barriers to running a food business. Further research is needed to understand the challenges women face in raising capital to start food businesses and sustaining them, in addition to recognizing the various forms of other work or roles they may already be engaged in within and outside the informal food economy (see Mutharayappa and Channamma 2018).
- With only 24% of the vendors aged 35 years and younger, it appears that the sector is not particularly attractive to youth. The children of current vendors are generally uninterested in the sector. A subsequent HCP report will explore the participation of youth in the informal food sector, focussed on understanding the particular barriers to entry for young people who have tried to set up a food business in the city.
- The vendors in the informal food sector have relatively low levels of education. Nearly three-quarters had not completed high school while only 17% had. Just 7% had completed university or college (7%).
- Most food businesses are owner-managed. Those who do have staff mostly employ family members. Only 26% of businesses with employees had staff who were not part of the owner's social network.
- Many of the vendors were migrants to the city. More than half (58%) originated from rural areas; 40% from rural areas in the southwestern state of Karnataka and 18% from rural areas in other states across the country. The remaining 42% were from cities, with Bangalore having the largest share (26%), followed by other cities in Karnataka (9%).
- Having a family member or relative in the city who could offer help was among the reasons for moving to Bangalore for a significant minority of the vendors (17%). This was also a factor enabling 16% to start their businesses. These networks of contact points seem to aid entrepreneurs in the informal food economy. Hence, understanding the role of social networks is important to understanding the informal food economy.
- Most food vendors start their business to support their families and largely view it as a necessity that allows them to earn enough money to survive in the city. However, close to half of the respondents said that the ability to dictate

their own work hours and schedule was a motivation to start their own business. More than half found that running their own food business was easier to do than their previous occupation.

- Most relied on personal savings (57%), loans from money lenders (33%), and kinship networks (25%) to raise capital to start their businesses. Only 8% used micro-finance institutions and 3% used banks. Only 0.1% used government schemes. More than half started their business with INR20,000 (USD281) or less.
- Therefore, research to investigate the obstacles to securing outside financing for start-up and operating costs is imperative.
- There was a split of fixed shops/stalls (54%) and mobile stalls (45%) in the sample. Most vendors operate their business on a permanent basis (94%) and only a few are either seasonal or temporary.
- Food vendors largely operate their business without paying any form of rent (61%). Further, the majority do not pay for any type of food or business licence, indicating that most are unregistered. Only 5% own or partly own their operating space. This all indicates that a significant number of these food vendors are at risk of displacement.
- The top two challenges faced by vendors relate to sales, with a majority saying that they have too few customers and insufficient sales.
- Over 80% of food vendors surveyed made INR15,000 (USD211) or less in the month prior to the survey. Only 2% made more than INR30,000 (USD422). Middle-income earners, earning between INR15,000 and INR30,000, made up 16% of the sample. This indicates that there is a large disparity in income between food vendors, with most making very little.

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The informal food sector is critical to the food security of poor urban households in rapidly growing towns and cities in the Global South. By working in an interdisciplinary context with mixed methodologies and across different cities, the Hungry Cities Partnership (HCP) aims to add considerably to our understanding of common elements and differences. The findings of the HCP's informal food vendor survey in Bangalore shed light on the role of the informal economy in creating and facilitating employment opportunities for a large number of people, especially for those from poor and marginalized backgrounds. The survey results discussed in this report detail the profile, activities, motivations, challenges, and aspirations of the city's food vendors and add significantly to the evidence base on which supportive policies can be constructed. Policies towards the informal food economy span the spectrum from complete non-interventionism to draconian attempts to control and even eliminate informality. The pathologizing and criminalization of the informal food sector is especially common at municipal level. Regulation through various legal and policy instruments is also a pervasive response to informality. If the informal food sector is to thrive, and provide opportunities for innovation and entrepreneurship, then an enabling policy environment is essential.

