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Md Sanaul Haque Mondal
East West University, mshaquem@gmail.com

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Abstract

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Keywords

Case Study, Informal Economy, Mobile Vegetable Vendor, Bangladesh

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Urban Informal Economy in Bangladesh: A Case Study on a Mobile Vegetable Vendor in Dhaka City

Md. Sanaul Haque Mondal
Tokyo Institute of Technology, Japan
East West University, Dhaka, Bangladesh

The informal economic sector is very important for the economy of any developing country. As a developing country, informal economy plays a significant role to Bangladesh's labor market. But this sector is still undernourished. This research was conducted to understand the contribution of the urban informal sector at a micro scale. This paper aimed at revealing the contribution of vegetable selling to improve socioeconomic status of vegetable vendors and the obstacles they face to run their business. Research data was collected through in-depth interviews with vegetable vendors who engaged in vegetable selling by rickshaw vans in Dhaka city. Results from this study found significant contributions of vegetable selling at a household level including: continuation of children's education, improved food intake, access to information technology, and the savings generation. Informal businessmen also face several challenges that set back to reap maximum outcomes from this sector. Therefore, it is urgent to take informal economy-friendly initiatives at a macro-level to patronize this sector for getting optimum benefit from it.

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Introduction

Informal sector is the leading area of employment for the developing countries. This sector plays a significant role in employment and income generation, and economic and social development of a country (International Labour Organization [ILO], 1993). Informal sector consists of unregistered and small unincorporated private enterprises engaged in the production of goods or services for sale or barter (ILO, 2013). When rural migrants and urban dwellers do not find sufficient job opportunities by formal sector, they find employment in informal sector. It should be noted that informal economic activities are not confined to employment on the periphery of the cities, to particular occupations, or even to economic activities (Emmerij, 2005).

The concept of informal sector was first coined by Keith Hart in 1971 (Chowdhury, 2005) and was popularized by the International Labour Organization (ILO) Employment Mission Report to Kenya in 1972 (Emmerij, 2005). According to ILO (1972), informality of work depends on a few characteristics such as the ease of entry, reliance on indigenous resources, family ownership, small-scale operations, use of labour-intensive and adaptive technology, unregulated and competitive markets, and skills acquired outside of the formal sector (ILO, 1972). This sector can be described as unrecognized, unrecorded, unprotected or unregulated by public authorities, not confine to marginal activities but also includes profitable enterprises (ILO, 1972).

Bangladesh is a developing country with a population of 157.57 million in 2013 (World Bank, 2017) and a density of 1210 population per square kilometer in that year (World Bank, 2017). The number of economically active population of the country was 67.98 million in 2013

(World Bank, 2017). Among them 7.30 million population (BBS & ILO, 2015) employed in formal sector and 50.77 million in informal sector (BBS & ILO, 2015). The rest of the population was unemployed or underemployed and not engaged in formal or informal sector.

Bangladesh has an abundant labor supply. Informal economy plays a significant role in the labor market and contributes a significant share of the total employment of the country. This sector plays an important role to the country's economy, both in terms of number of jobs it creates and its contribution to total economic output (ADB & BBS, 2012). Informal employment dominated the country's labor market, estimated at around 87.4% of the total employed person (aged 15 and above) in 2013 and the highest number of engagement in informal employment was found for agricultural sector (97.9% of total employment in that sector), followed by industry sector (91.4% of total employment in that sector) and service sector (71.2% of total employment in that sector) (World Bank, 2017; BBS & ILO, 2015). In addition, around 91.7% of the youths (aged 15-29) and around 84.1% of the adults (aged 30-64) was engaged in informal sector in 2013 (BBS & ILO, 2015). In fact, limited job opportunities by the formal sector push people to engage themselves in the informal sector (Sarker et al. 2016). The total gross value added of all informal enterprises accounted for 43% of the country's gross domestic product in 2010 (ADB & BBS, 2012). Therefore, the informal sector is very important for the Bangladesh economy, as its various channels have a major impact on both the formal economy as well as the overall economy of the country (Raihan, 2010).

Bangladesh is one of the countries of the world that has been experiencing very rapid urbanization over the last four decades and more. Around 28% of total population of the country was living in urban area in 2011 and more than 57% of urban population was shared by Dhaka and Chittagong divisions in the same year (BBS, 2014). The increase in the urban population of the country from 1974 to 2011 has been close to 36 million (from 6.27 million in 1974 to 41.94 million in 2011). Because of rapid and unplanned urbanization, threshold capacity of urban employment in urban areas surpasses its limits. Moreover, a large number of populations who are now coming in urban areas do not have sufficient education and skills to be engaged in urban formal employment. Instead of returning to the rural sector, however, they simply stayed where they are between the urban modern sector and the rural traditional sector (Emmerij, 2005). Ultimately, they engage urban informal sector. Urban informal sector can generate more employment than formal sector. As a result, informal sector has been growing in spite of obstacles and a lack of external support. Around 75.2% of urban population engaged in informal economy in 2013 (BBS & ILO, 2015). The major characteristics of the informal sector in Bangladesh include: (i) unregistered, small scale operation; (ii) low level of productivity; (iii) low level of income generation; (iv) low level of institutional credit access (sometimes lack of access to formal credit); (v) employment based mainly on kinship, personal/social relations, and casual employment but mostly not on a contract basis; and (vi) generally the absence of recognition or regulation by the government (Raihan, 2010). Informal sector workers in Bangladesh include day laborers; rickshaw pullers; van drivers; wholesale and retail traders; and restaurant, manufacturing, transport, storage and communication workers (Sarker et al. 2016). Dhaka is the capital as well as megacity of Bangladesh where around 44,500 populations were living in every square kilometer in 2015 (UN Habitat, 2017). The population size of Dhaka city was 17.60 million in 2015 that increased from 1.38 million in 1970 (United Nations Department of Economic and Social Affairs [UNDESA], 2015). Dhaka offers a large number of employment opportunities in both formal and informal sectors. As a result, large number people are entering in Dhaka city from the rural area and most of those rural migrants engage themselves in informal sector. Around 32% of total urban population of the country was living in Dhaka city in 2014 (UNDESA, 2014). This explosion of urban population is very common in developing countries like Bangladesh.

A good number of literatures were found on informal economy of developing countries. But the literatures on informal economy of Bangladesh are scanty. Huda et al. (2009) studied on measuring the effect of informal sector on women. The role of informal sector in economic development of Asian countries and urban environmental management was focused in several studies (Amin, 2005; Amin & Singh, 2002; Amin, 2001). The study of McKernan et al. (2005) exclusively examined the gender based formal and informal financial sectors of rural Bangladesh. Barmon (2011) studied on consumption patterns and saving rate of vendors of informal sectors in Bangladesh. Rouse (2004) studied on the effect of urban development on informal-sector enterprises. Although many researchers identified several types informal economic activities in Bangladesh, still there is a dearth of academic literature on socio-economic contribution of urban informal economy from a qualitative methods perspective. In developing countries including Bangladesh, informal economy pays little attention among the policy makers. As a result, this sector is still lag behind. No doubt urban formal sector cannot run smoothly without support from informal activity. Realizing the above significance of informal sector, this research was an effort to understand household level contribution of urban informal economic activities of Dhaka city. The research question of the study was: how does vegetable selling (as an informal business) contribute to improving socioeconomic conditions of vegetable vendors in Dhaka city and what obstacles they face as informal businessman?

I am a faculty member of a university and living in Mirpur area of Dhaka city for around 5 years. When I settled in this locality, I used to buy vegetables from government/City Corporation authorized market. After several months, I found some people were selling vegetables using rickshaw van (one type of manually driven three wheelers with plain platform at top). I had little trust with those vendors at the beginning. But my mind-set was changed within few months and I started to buy vegetable from those vendors because of lower price compare to formal market with same quality and available at doorsteps. I participated in a training program on qualitative research methodology in January 2016, and as a part of this training program, I prepared a case assignment on vegetable vendors of Mirpur area. During this period, I realized how those people changed their living standard through vegetable selling. This motivated me to conduct an in-depth study on vegetable vendors to have a fair understanding on their socio-economic progresses. This study will fill the vacuum of literature of informal activity from qualitative perspective.

Objective of the Study

Bangladesh is located in South Asia and Dhaka is the central city of the country. The population size of this country was doubled in 2011 from 1974 (from 69.88 million in 1974 to 153.91 million in 2011) (World Bank, 2017). Although the country has huge labor supply, the number of formal jobs (government/public and private jobs) is very limited and every nine in 10 who were working in 2013 were informally employed (BBS & ILO, 2015). Informal sectors are unregistered and government pays little attention to this sector. Most of the people in Dhaka city engage in informal sector. But they are not socially and economically mainstreamed. Hence the objective of this paper was to explore the changes in lives and livelihoods of “mobile vegetable vendor” in Dhaka city; contribution of this informal sector to boost their social and economic status; and the obstacles they face to run their business. This paper defined “mobile vegetable vendor” as a vendor who sells vegetables using a rickshaw van. A rickshaw van is one type of manually driven three wheelers with plain platform at top found commonly used for carrying goods.

Methodology

As the objective of the study was to find out the changes in lives and livelihoods as well as socio-economic condition of vegetable vendors in Dhaka city, I used qualitative phenomenological case story approach. A qualitative research technique was appropriate to understand and make sense of phenomenon from the participant's perspective. Because qualitative research focuses on the way people interpret and make sense of their experiences and the world in which they live (Holloway & Wheeler, 2010). Qualitative research also gathers rich description of the phenomenon of interest (Mutch, 2013). Phenomenological studies examine human experiences through the descriptions provided by the people involved (Nieswiadomy, 2008). Data for qualitative study arranged with narrative logic (Chenail, 1995). I employed descriptive type of case study to describe the real-life context (Baxter & Jack, 2008) of vegetable vendor.

Sampling for the phenomenological study is purposive and prescribed from the start and the main instrument of data collection is the interview (Goulding, 2005). I used non-probability sampling techniques. I employed purposive sampling procedure to select study location and respondents. I purposively selected Mirpur region because of my geographical familiarity and in close proximity of my residence. Mirpur area is located to the north-east of Dhaka city where 1002501 population (BBS, 2011) were living in 2011 within 21.317 square kilometer (including zone- 2 of Dhaka North City Corporation) (DNCC, 2017). Much of the areas of Mirpur area grew as residential areas of lower-income group of people (Banglapedia, 2017).

I used in-depth interview method for collecting data to prepare case story. Vegetable vendors are available in every lane of Dhaka city. There was no documented sampling frame for the study. I selected one lane from Mirpur area and prepared a list consisting of 21 vegetable vendors and organized those names alphabetically (first name and then surname). I picked up first 4 names (around 20% of the total sample size) from the list and conducted interview with the respondents. Since first respondent was agreed to participate in in-depth interview, last 3 persons from that list were excluded from in-depth interview. To confirm the internal validity of the collected data, I conducted short-interview with other 3 respondents for triangulation. This is because triangulation provides different ways of looking at the same phenomenon and adds credibility and confidence in the conclusions drawn from the study (Al-Busaidi, 2008). To conduct interview session, a checklist was prepared. Data were collected in September 2016.

To present research data, I adopted person-centric perspective with thick description rather than numbers or percentages. All costs were expressed in Bangladeshi Taka (Tk.), applying the exchange rate (US\$ 1= Tk. 78.4) of October 2016 (Bangladesh Bank, 2017).

This paper was based on a case story with a vendor who engaged in selling vegetable using rickshaw van. In-depth interview method used to collect data. I took informed consent from the respondent before interview. Although the respondent agreed to disclose his identity and other relevant personal information, I de-identified the respondent's name to protect his privacy. Before conducting the interview, I also disclosed the objective of this study. I conducted the interview during his business hour. After his permission, I started interview with him. I was also careful not to do any harm the respondent's sell. I stopped interview, if any customer came his shop. I also engaged one note-keeper during interview session. No electronic devices were used to record the discussion. I should disclose that I shared the initial draft of the paper verbally with him in Bengali. After his approval, I sent manuscript to journal for peer review.

This research work was self-funded and I did not require any permission or approval from any third-parties or institutions. This research classified as less harmful for the

respondents. I carefully maintain the ethical standards as well as confidentiality of sensitive and more personalized issues.

Socio-Economic Background of Respondent

Mr. Akash was a vegetable vendor in Mirpur area of Dhaka city. He was around 50 years old at the time of interview. He came in Dhaka city from coastal area of Bangladesh, around 200 kilometers far from Dhaka. He lived in Mirpur with his family members at the time of the interview. He completed eighth grade of schooling from his hometown. He married at the age of 22. His wife was a tailor who worked in her house and stitching clothes only for women and children.

He was living at this present address for about one year and shifted his house three times in Dhaka. He came in Dhaka more than twelve years ago. He left his hometown because of insufficient income. According to the statement of the respondent:

I was in my village for around one decade after my marriage. I used to cultivate our agricultural lands, but I was unable to bear my family expenses. I took loan from a money lender with higher interest rate. I failed to repay the money. Then I decided to come in Dhaka with my cousin. He arranged a job for me as a caretaker-cum-security guard in a house.

After his arrival in Dhaka, Mr. Akash managed a job in a residential building as caretaker-cum-security guard and served this position for around ten years at the same place. His cousin helped him to reach Dhaka and to get this job. His duty included collecting monthly house rents and utility bills (e.g., residential gas bills and residential electricity consumption bills) from tenants of the building. He received Tk. 6000.00 in hand as salary when he left his job as a caretaker-cum-security guard. With that poor income, it was very hard for him to maintain his family expenditures and finally, he decided to leave this job. As soon as he left his job as a caretaker-cum-security guard, he rented one room in a slum where he housed at around one year. Afterwards he shifted his present address around one year ago. This house is made of brick wall with corrugated tin-shade at top. It has three rooms with one lavatory. He rented two rooms for his family and the other room rented by a ready-made garments (RMG) worker. The monthly house rent for those two rooms was Tk. 10,000.00 per month including utility bills (gas bill, electricity bill and water bill). At present, his house equipped with a CRT (cathode ray tube) television, a dining table, two ceiling fans and household utensils. His parents-in-law gifted a sewing machine to his wife after their marriage ceremony. He belonged to a mobile phone as well.

He endowed with four daughters and two of them married. He provided his endless efforts to educate his daughters. It was one of the reasons for changing his profession from caretaker-cum-security guard to vegetable vendor. His elderly daughter studied at a women college and second daughter in a poly-technical institute and the other two daughters in a government college. The elderly son-in-law worked with a multinational telecom company in Dhaka, while second son-in-law admitted as graduate student in a university and also engaged as part-time instructor at an academic center. The other two daughters live with him and continue their secondary education in different institutions.

Grow up as Vegetable Vendor

He was unable to maintain his family expenses and decided to leave his job. As he mentioned that:

Although I got a job as a caretaker-cum-security guard, I failed to meet up family demand with poor salary. My daughters grew up, but I failed to arrange their educational expenditures. Suddenly, I decided to leave the job to start a business. I was dilemma which business will feasible for me with such small capital. As I engaged in agriculture in village and I had the idea on vegetable production and selling at village market. Moreover, I was incapable to hire a shop at market. Finally, I decided to become a vegetable vendor using rickshaw van. I bought a rickshaw van.

Before starting his business, Mr. Akash bought a licensed rickshaw van, spending a total of Tk. 8500.00. He procures vegetable and spinach from Mirpur-1, a wholesale vegetable market, two kilometers far from his residence. But his initial experience as businessman was not as good as he opined that:

During the initial time as vendor, I faced several challenges. It was difficult for me to reach in wholesale market at 5 o'clock. But there was no alternative. Later on, I used to do that.

Now he used to visit wholesale market daily. To collect quality product, he had to reach wholesale market by 5 o'clock. He goes to the wholesale market daily with other vegetable vendors to avoid snatching or kidnapping during the early morning. Upon reaching wholesale market, he looks for the fresh products. If any customer wants to buy any commodities from a wholesaler, they have to purchase at least five kilograms of that particular commodity. After collecting two or three commodities, he keeps them at a storehouse with paying Tk. 10.00 per day. He sells perishable vegetables, which include spinach, cabbage, cauliflower, kohlrabi, turnip, radish, pea, hyacinth bean, string bean, sweet gourd, bottle gourd, wax gourd, cucumber, ribbed gourd, sponge gourd, bitter gourd, teasle gourd, palwal, snake gourd, brinjal, tomato, chili, okra, red amaranth, Indian spinach, carrot, drumstick, green papaya, and so on, depending on the season. The customer flow varies with time of the day. Hundreds of readymade garments (RMG) factories locate in Mirpur area. The majority of customers of his shop are RMG workers. Therefore, the peak hour of sell is lunch period at noon and during evening break of RMG factories. He gives credit facilities to RMG workers and they reimburse the money as soon as they receive their monthly salary. Price of the product varies with time. As he noted that: *"Vegetable looks very fresh in morning and price per kilogram or per unit of vegetable is higher than evening."*

Contribution of Vegetable Selling at Household Level

He and his wife earn for their family as vegetable vendor and tailor. He has some lands (lowlands) in his hometown that he leased out to his neighbor for fish cultivation. His wife earns around Tk. 5000.00 to Tk. 7000.00 per month depends on the order received from customers. Tailoring in house is also considered as informal economic sector. He admitted his wife's contribution for his family. His wife invested her income parallelly to continue their daughters' education. He never engaged his wife or children in his business. But his wife helped him at morning to equip the commodities and watering vegetable to make them clean. As he acknowledged that: *"My wife contributes a lot in our family. Without her support it was difficult for me to continue education of our daughters."*

But two years back, his socio-economic condition was very poor. According to the respondent:

Although I worked hard all day and night during my job as caretaker-cum-security guard, my income was very poor. By the grace of almighty, now we are able to earn at least Tk. 30000.00 per month.

His initial investment for the business was Tk. 10000.00 including purchase of a rickshaw van. On an average, he invests Tk. 4000.00 to procure vegetable from wholesale market daily. He can make a profit of around Tk. 1000.00 daily from his business, if he sells out all his products. As he mentioned that: *“I invest around Tk. 4000.00 daily to purchase vegetable from wholesale market. If I able to sell out all products, I could make a profit of around Tk. 1000.00 daily.”*

Usually, he opens his shop at 8 o'clock at morning and continues till 13.30 o'clock at noon every day. After lunch and rest, he again opens his shop at 4 o'clock in evening and continues till 10 o'clock at night. His engagement in business allows him to pass leisure time in his house that was nightmare when he engaged in job, as he stated that: *“When I was engaged as caretaker-cum-security guard, I used to do my duty whole day even in night as well. There was no leisure time. Now I can manage my leisure period.”* I also asked him about his daily food intake. He noted that: *“Now we are able to take three meals per day”*.

His engagement as vegetable vendor improves their household level nutritious and protein food intake behavior. He spends around Tk. 10000.00 per month to purchase food for his family. They never faced any starvation or skipped meals after his engagement as vegetable vendor. Although few people of his surroundings and his relatives treat his profession as a lower class, he rejects their comments, as he noted that:

Many people of our society find us as vegetable vendor. But this profession has changed my life. Now we can take three meals per day. I can buy protein and nutritious food for my family. My daughters are able to continue their higher studies.

I also asked other three vegetable vendors on the contribution of this informal business at their family level. All of them mentioned that their socio-economic status has improved significantly. Respondent 2 opined that: *“Last year I bought 20 decimals agricultural lands in my hometown. I saved that money from the profit of my vegetable business”*.

The Respondent 3 stated that: *“Every month, I send remittance to my wife to continue education of our two kids and family expenses”*. Respondent 4 came from riverbank erosion prone northern district. They lost their house by river erosion. He mentioned that:

We rent a room at the top-floor of a five-storied building in Mirpur. I plan to buy homestead land in my hometown. I am able to fulfill our household demand through engaging in vegetable selling.

Mr. Akash looks like more confident with his present day's economic status. He can interpret his future from today. He plans to go back his hometown upon completion of his daughters' education and their marriage ceremonies. He also wants to establish a fish farm in his hometown after his return. Mr. Akash has been enjoying his business and he finds himself as a self-sufficient entrepreneur. He does not require to report to anybody and he is his own boss.

Challenges Faces as Informal Businessman

It is difficult to run informal business without compromising with local authority. As he stated that:

We have to manage several persons to continue our business. We have to give Tk. 20.00 daily as extortion money to local law enforcement agency to run business in this locality. In addition, traffic police also claims extortion money.

Each and every vegetable vendor has to give Tk. 600.00 per month to local law enforcement authority as extortion money. He has to pay Tk. 300.00 per month to security guards who take care of their rickshaw van at night. Moreover, traffic police also postulate for extortion money if he fails to cross main road before 8 o'clock at morning, as manually driven vehicles are restricted to ply on main road after that time.

Discussion

This research is a detailed study on a vegetable vendor in Dhaka city using a qualitative technique. It provides an overview of how a vegetable vendor of urban area can change their socio-economic status. This study presented an in-depth study with a vegetable vendor who is self-reliant with an initial investment of only Tk. 10000.00. This study is consistent with Barmon (2011) that stated informal business is profitable and sufficient enough to provide a daily livelihood for the engaged people as well as surplus income (Barmon, 2011). This surplus income contributes to the overall accumulation of capital for further expansion of business and to improve welfare, poverty reduction and generation employment (Barmon, 2011). The respondent improves his familial and social status as well as economic condition by engaging in informal businesses. The present study asserts that engaging in informal economy contribute respondent in four ways: (i) educate his four daughter, (ii) increase intake of nutritious and protein food at household level, (iii) access to information technology, and (iv) accumulation of savings for future.

The informal sector constitutes a significant part of the economy and plays an important role in employment creation, production, and income generation (Raihan, 2010). But this sector is largely ignored, rarely supported, often regulated in a negative fashion, and sometimes actively discouraged by the government (Emmerij, 2005). Most countries with weak state enforcement systems tacitly allow businesses to operate informally (McLain, Alexander, & Jones, 2008). This empirical study identified several challenges that an informal businessman often faces in Bangladesh. Informal sector is unrecognized by the government of the country. As a result, local law enforcement agencies are not supportive to informal businessmen and arrogates for extortion money. Nevertheless, informal economy has been growing abruptly in Dhaka as formal sector is now saturated. The informal economic sector suffices as a significant source of employment for them who have no other alternative employment options (McLain, Alexander, & Jones, 2008).

Limitations of the Study

This research was woven from an in-depth interview with a vegetable vendor. There were several limitations of this study that need to be considered to interpret the result from this study. In this study, I presented only one case of a respondent. I collected some retrospective information from the respondent that was not validated from my end. To select the respondent, I organized the vendors list alphabetically that may not work in another context with large sample size. This study was conducted in Mirpur area only with an exclusive focused on one respondent. As a result, it is difficult to generalize from this study. To make any policy decision, rigorous study is essential which was impossible to address in this study.

Conclusion

It is an undisputable fact that informal sector in Bangladesh has huge potential to contribute more if proper policies are taken and implemented. But the country is yet to embark on clear-cut policies on growth of informal sector. One of the reasons may be the non-recognition of activities of informal sector and too much reliance on formal sector. This calls for successful and planned growth of informal economy as the country pass through the stage of “demographic bonus” (dominated by youth labor force) which will continue till 2030. In addition, to achieve ambitious targets of Sustainable Development Goals, Bangladesh should acknowledge the role of informal sector for its development.

It is urgent to provide financial and technical support to informal economic activities, to include informal economic activities into development policies, and to conduct rigorous study on identifying existing gaps in economic use of informal sector. Creating a favorable, transparent and corruption free economic environment is must so that educated, under-educated or uneducated youth can engage in this sector without hesitation. Successful expansion of this sector will help to boost our economy to achieve the ambitious target of becoming “Middle Income Country” within the next few decades. This research presented one case story of a vegetable vendor of Dhaka city. There are millions of informal businessmen in the country who are not highly educated but endeavoring to improve their living status through engaging in informal economies.

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Author Note

Mr. Md. Sanaul Haque Mondal is a PhD candidate at the Tokyo Institute of Technology, Japan and a lecturer with the Department of Social Relations at East West University, Dhaka, Bangladesh. Mr. Mondal completed BSC and MSC in Geography and Environment from Dhaka University, Bangladesh. After that he completed a post graduate diploma (PGD) in Disaster Management from Institute of Disaster Management and Vulnerability Studies of Dhaka University, Bangladesh. He also completed a specialized Master's program on Population, Reproductive health, Gender and Development from East West University, Dhaka, Bangladesh. He received several national and international trainings on disasters, need assessment, climate change, food security, supply chain, sustainable tourism, etc. His research interests include Disaster Risk Reduction (DRR) Climate Change Adaptation (CCA), Community Based Adaptation (CBA), Population policy, Environment, Urbanization, Migration, Sustainable development, Public health, Community engagement, and Non-Government Organizations (NGOs). Mr. Mondal has published several journals articles in different national and international journals. Correspondence regarding this article can be addressed directly to: mshaquem@gmail.com.

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