The Impact of Price Information on Informal Traders in Kenya and Uganda

Fieldwork: Innovations for Poverty Action (IPA)

Sample: 320 markets

Target group: Agricultural traders

Partner organization(s): Sauti Africa

Informal cross-border traders, many of whom are women, have limited information about market prices and the official costs of tariffs to cross borders. In partnership with Sauti East Africa and Innovations for Poverty Action (IPA), researchers are conducting a randomized evaluation to test whether varying access to information about prices in buying and selling markets encouraged informal traders to enter new markets and take advantage of price differences.

Policy issue

Small-scale informal traders, the majority of whom are women, face a variety of challenges including limited information about market prices and the official costs of tariffs to cross borders that can limit their ability to profit from their businesses. Previous research has shown that giving informal traders information about market prices and official border costs through a mobile phone platform allowed the traders to buy goods in cheaper markets.

Could giving informal traders access to specific price information in buying and selling markets encourage them to enter new profitable markets? Further, as many small-scale informal traders are women, could providing specific market information improve women traders' profits and mobility

Context of the evaluation

This evaluation takes place in Busia, a town on the border of Kenya and Uganda , where about three-quarters of informal agricultural trade between these two countries takes place.[1] Although both men and women participate in cross-border trade, women make up about 80 percent of small-scale informal traders in Busia and source goods including agriculture and clothing multiple times a week. They mainly trade small quantities of goods and transport their products via foot or bicycle. On the other hand, the majority of large-scale traders are men, in part because they have better access to transportation like trucks to move large quantities of goods across the border.

Informal traders buy and sell goods in markets on both sides of the Kenya-Ugandan border, yet over 80 percent of informal traders always sell in the same market. One reason they do not enter new markets is limited information about prices in both buying and selling markets. Sauti East Africa, a Kenyan women-led social enterprise, developed a mobile phone platform to address the lack of information traders face by providing users with information on prices of goods across various markets in East Africa.

Jonathan Torgovnik, Images of Empowerment

Details of the intervention

In partnership with Sauti East Africa and Innovations for Poverty Action (IPA), researchers conducted a randomized evaluation to test whether varying access to information about prices in buying and selling markets encouraged informal traders to enter new markets and take advantage of price differences. The researchers randomly assigned traders from markets in Uganda and 160 markets in Kenya into four groups:

1. *Passthrough group:* For markets in this group, traders who sell in the markets received information about other markets where they could potentially source products at a lower cost.
2. *Market entry group:* For markets in this group, traders who were not actively selling in the market received information about the market as encouragement to sell their products in the market
3. *Passthrough + market entry group:* For markets in this group, traders already selling in the market received information about other markets to buy cheap products, and traders not yet selling in the market received information encouraging them to enter the market and sell their products.
4. *Comparison group:* Traders who sell in markets in this group did not receive information about other buying markets, and traders outside of this market did not receive information about or encouragement to enter the markets.

Traders in groups one, two, and three received information on market prices through Sauti East Africa's mobile phone platform between May and August 2024. In order to measure socio-economic and trade outcomes like the types of goods sold, profitability, and the buying and selling prices to detect markups, researchers conducted surveys with 1,000 randomly selected traders, 500 on either side of the border, before and after the intervention. In addition, researchers conducted market surveys to measure how

many traders entered and exited different markets, as well as market prices.

Results and policy lessons

Research ongoing; results forthcoming.

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1. Abdul Latif Jameel Poverty Action Lab (J-PAL). 2021. "The Impact of Mobile-Based Market Information on Informal Cross-Border Trading in Kenya and Uganda." J-PAL Evaluation Summary. https://www.povertyactionlab.org/evaluation/impact-mobile-based-market-information-informal-cross-border-trading-kenya-and-uganda.