



Regional Institute of Policy Research &  
Training (RIPORT), Peshawar

**A Research Report on**

**Price Hike and its Impact on  
Household Incomes in Some Localities  
of Peshawar District**

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October 2008

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localities of Peshawar District**

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## **Preface**

RIPORT (Regional Institute of Policy Research and Training) was established in 2005, as a private sector research and training organization to undertake research and train persons in research methodologies.

NWFP, FATA, Afghanistan and the central Asian Region is deficient in generating civil society responses to issues of security, economic progress and institution building. This region is also under threat from various stressors. The capacity and stock of knowledge within government and civil society is limited, the region also lacks training institutions in this specialized field.

RIPORT thus aims to create alternate policies and practices based on peace and harmony, which lead to improvement in human rights and tension reduction in the region. Educational institutions in NWFP produce many graduates whose research skills need improvement so that they are able to fully utilize their knowledge.

RIPORT in collaboration with the Asia Foundation Pakistan has undertaken this training program to impart research skills with on the job skill training. It is RIPORT's policy to form a pool of 'research mechanics' that would learn skills in the field where data is generated. The approach is strongly linked with teaching statistical based methods to the trainees; this approach will also generate primary research which would result in recommending alternate policy options.

The survey report which follows is I believe the first report of its kind and studies statistically the impact of increasing prices on different income levels in some localities of Peshawar. The four trainees M/s Abdur Rehman, Amjad Ali Afridi, Muhammad Ismail Durrani, and Ms. Samreen Rasool deserve appreciation for their work which RIPORT shares in the hope that this research is able to draw attention towards the dwindling options of low income earners.

  
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## Executive summary

The report provides a snap shot of the impact of price hike since Feb, 2008. During this survey, four income groups were chosen for noting the impact;

Low income group	Rs: 4,000- to- 8,000 per month,
Lower middle income group	Rs: 9,000-to- 17,000 per month,
Middle income group	Rs: 18,000 –to-25,000 per month,
High middle income group	Rs: 26,000 per month and above.

Ten households and one Focus Group Discussion (FGD) took place in each income group across urban and rural communities of district Peshawar. Information was collected about income and expenditure in Feb 2008 and Aug 2008 and was compared. The effect of the price hike on education and social activities was also studied, so that behavior change, in different groups could be identified.

The report also provides information about price of specific food and non-food items with percent (%) variation between Feb, 2007 and Feb, 2008 as well as the price shift after elections as compared with prices in Aug 2008.

## Main finding of the survey

Inflation remains the biggest threat to household incomes jumping to more than 9% in 2005 before easing to 7.9% in 2006. In 2008, following the surge in global petrol prices inflation in Pakistan has exceeded the 25 % mark. It has an explosive negative effect on welfare.

The study revealed that wheat flour price increased by 27 % (from Rs 15 to Rs 19) between the period February 2007 and February 2008, while its price rose by 47 % (from Rs 19 to Rs 28) in just six months between February 2008 and August 2008. Wheat is the staple diet and cannot be avoided and this price increase, affected all the income groups equally but the most hard hit were the low income groups.

The prices of fuel items i.e. kerosene oil, petrol and diesel have also increased. The kerosene oil price increased by 25% from Rs 40 to Rs 50 between the periods February 2007 and February 2008. It shows a further increase of 36% from Rs 50 to Rs 68 after February 2008 till August 2008. The data of petrol prices reveals that these prices remained stable between February 2007 and February 2008. This stability was due to subsidy. Nonetheless, after the February elections hike in fuel prices shows an increase of 61% from Rs 54 to Rs 87 p/liter and 71% from Rs 38 to Rs 65 per liter for petrol and diesel respectively between February and August 2008.

The prices of identified food items were compared between the period of February 2008 and August 2008. It was found that within span of six month the prices of flour increased by 47%, sugar 27%, gur 43%, beef 27%, potato 33% and onion 71%, while in non food items petrol and diesel prices rose by 61 % and 71 % respectively. This indicates a surge in food and non food prices and both affected almost all income groups.

Most of the respondents from the four identified income groups said that the hike in wheat prices affected their welfare the most. The impact of this range from 35% to 62% depending upon the level of income. At lower income level the impact was higher.

The impact of increase in the prices of fuel ranges between 45% and 75%, while that of transportation ranged between 21% and 50% in all the income groups.

The people of low income group opted to have less number of meals a day i.e. they now rarely have three meals in a day, after February 2008.

The study found that 30% of the low income group changed their food intake pattern as a result of current price hike after February 2008.

This survey also measured the variation in prices at the utility stores as compared with the open market. The price of wheat flour in open market is 86% higher than the prices in utility stores. Similarly the price of rice and mash pulses was 25% higher, while gram pulses was 38% higher than the open market prices.

The prices of the wheat flour and grain pulses were 86 % and 38.2 % respectively higher in open market as compared to the utility stores rates. Similarly both rice and mash pulse were 25 % higher in open market. Similarly tea was 14 % higher in open market as compared with utility store price.

It was found that the low income group wanted their children to work at odd job / works instead of going to school and as a result this has lead to an increase in child labor as well as a higher school dropout rate.

The price increase also affected socializing amongst the communities to a large extent; especially matter like weddings were affected the most. The study reveals that almost all income groups were badly affected.

In the low income group a family of 6 person with 2 school going children was examined and it was revealed that the monthly expenditure increased by 29%, while their income increased by 25% only between the period of February 2008 and August 2008.

In lower middle income group a family of 7 person with 3 school going children was studied and it was found that the monthly expenditure increased by 47%, while their income increased by 25% between period of February 2008 and August 2008.

In middle income group a family of 8 person with 4 school going children was studied and it was found that during the period from February 2008 to August 2008, their monthly expenditure increased by 29%, while their income increased by 20%.

The study showed that in high middle income group a family of 5 persons with 3 school going children, expenditure rose by 49% during the period from February 2008 to August 2008, while the monthly income increased only by 17%.

It was found that even the lower middle and middle income group households have taken out their children from private schools and inducted them into public sector schools due to heavy fees and other education related expenditures like transportation of children to school.

This study found that the dropout rate for 6<sup>th</sup> grade was 21.5 %, while for class 7<sup>th</sup> and 8<sup>th</sup> it was 22.8 % and 10.7 % respectively. The total dropout rate was 19.18% and needed the attention of authorities.

In 8<sup>th</sup> class 8 % of the boys left school which is high. Students of this age are capable to hold jobs and thus share the burden of household expenditure at an early age.

## **Recommendations**

1. Food security of low income groups has been badly affected due to price like. The poverty levels are likely to have increased.
2. The government may insure the free flow of wheat to the province. The government may also consider introduction of food entitlement coupon system for those living on or below the poverty line.
3. The government should not encourage opening of franchise utility stores since they are used for profiteering.
4. There is a need for opening more utility stores in the urban towns and large villages. The list of items sold in utility stores should be reduced to cover food items only.
5. Provincial government may consider introduction of scheme for distribution of free milk and vitamin A-D in primary schools so that scholastic abilities are not debilitated.
6. The provincial government should study the impact of reduction of calorific intake on health of child/mother due to increase in prices of essential food items.
7. There was a need to introduce public transport facilities at reduced rates to provide relief to low income earners in the urban areas.



## **A: Introduction, objectives and methodology**

### **Introduction**

The present price hike, since February 2008 hit the whole society hard. Our study was aimed at identifying its impacts on different income groups and the strategies such income groups followed to cope with the situation. To anticipate the impact on a significant portion of society, four stratified income groups were formed, i.e. low income group, low middle income group, middle income group and high middle income group. The survey team identified each income group in different places and then traced over time the impact of increase in prices on the household budget.

The prices prevailing in the period immediately after the February 18 elections in 2008 was selected as the bench mark for purposes of comparison further more a comparative analysis of prices was done by comparing them between February 2007 and February 2008. The second comparison was made of prices between February 2008 and August 2008. The second period is important as it showed an exponential increase in prices.

Though the current price hike affected the whole population however the degree of its impact on each income group was different. The survey conducted evaluates the impact of the current price hike not only on the household income but also studied the impact on food consumption pattern, education and other social events like wedding etc.

During this study, / discussions were held in order to find out the impact on different income levels. Generally the people of lower income group were the worst affected and were forced to sell assets to spend on food consumption. This survey also studied the impact of price hike on school drop out from primary and middle schools. It was found that parents belonging to low income group are inducting their children into auto-workshops, tailor shops, small hotel and junk collection jobs (kabaree). Theoretically this trend indicates a move towards an increase in child labor.

Due to the current economic situation in the country, people of all income group are less confident about the future. They consider that government has the power but not the will to come to their assistance. Such an attitude will be reflected in voting pattern in the next election unless timely relief is provided

### **Background**

Pakistan is a developing country and its gross domestic product is \$504.3 billion (2007-2008) and its GDP growth rate is 6.9% (2007-2008). It has a population of 169 million which is the sixth largest in the world. Out of this population 40 million are living below the poverty line. Inflation remains the biggest threat to the economy, jumping to more than 9% in 2005 before easing to 7.9% in 2006. In 2008, following the surge in global petrol prices inflation in Pakistan has exceeded 25 % mark.

NWFP is one of the four provinces of Pakistan and constitutes 9.1% of the total area of the country. Its total population is 22.9 million (projected 2007) which is about 14% of Pakistan's total population and is the third largest province according to population. It has a

total of 10.3% share in Pakistan's GDP. Agriculture sector was the highest contributor towards employment in NWFP accounting for 62.03% of the population.

Given that incomes of a very large portion of the population in Pakistan are just above or below the official poverty line. The fact that there is an enormous clustering of population around the poverty line means that even small changes in consumption or income can affect poverty dramatically.

This clustering of Pakistan's population just above and below the poverty line also implies that families are quite vulnerable to a slight increase in prices. A drought or a bad agricultural year, an illness of a breadwinner, increasing prices of basic commodities can all cause families to fall into poverty.

## **Definitions:**

### **Low income group (LIG)**

People who earn up to RS 8,000 are considered as within low income group.

### **Lower middle income group (LMIG)**

People who earn between RS 9,000 and RS 17000 are considered as belonging to the lower middle income group

### **Middle income group (MIG)**

People who earn between RS 18,000 and RS 25,000 are considered as belonging to the middle income group.

### **High middle income group (HMIG)**

People who earn RS 26,000 and above are considered as belonging to high middle income group.

## **Household**

A household is defined as a person or group of persons who live together in the same house or compound, share the same housekeeping arrangements and are catered to as one unit. Members of a household are not necessarily related (by blood or marriage). However, in this survey a family having a separate kitchen is considered as a household.

## **Food items**

The basket of food which we selected for this survey contains wheat flour, rice, sugar, gur, mash pulses, gram pulses, vegetable, ghee, tin, beef, milk fresh, potatoes, onions, garlic, and tea.

## **Non-food items**

The basket of items for the non food items in this survey included kerosene oil, petrol and diesel.

**Child labor**

Child labor refers to work that is: mentally, physically, socially dangerous and harmful to children between the age of 5 and 17 years.

**Dropout rate**

Children who leave school for any reason e.g. parents didn't want a child to stay in school; parents didn't have enough money to pay fee; or the child forced to help his family financially, by learning a vocation. Leaving school for any other reason was also considered as a drop out.

**House hold budget**

The house hold budget is a financial plan that allocates future personal income of a household towards covering expenses, savings and debt repayment. Past spending and personal debt are considered when creating a personal budget.

**Recent price hike**

By recent price hike we mean the price hike that hit the country after 18 February, 2008.

**Objectives**

One of the purposes of this survey is to formulate recommendations leading towards policy formation. The other objective of this survey is to highlight the way these different income groups are coping with the present situation.

**Methodology**

Samples of four income groups were identified based on their monthly incomes which were categorized as 1) low income group, 2) lower middle income group, 3) middle income group and 4) high middle income group. Two separate questionnaires were developed for focus group discussion and household survey. A focused group discussion and 10 household surveys were carried out in each of these income groups. Household survey was carried out to get feedback from an individual's perspective. Focus group discussion were carried out to know the authenticity of the feedback given to us by the household and secondly to know the response of the people collectively.

Four towns in Peshawar district were considered as the Primary Sample Unit (PSU) and in each income group one focus group discussion and ten households were surveyed. Every fifth house was surveyed for the household survey on systematic sampling base. The income levels of the participants were first identified after which they were selected for the focus group discussion (FGD), the average number of participants in a single FGD varied from 8-15 respondents.

**Universe of the survey**

Universe of this survey was the four income groups i.e. 1) low income group, 2) lower middle income group, 3) middle income group and 4) high middle income group of Peshawar

and its surrounding localities. These were Kankola, Pushtakhara, Civil Quarters and Gulbahar. The table below gives statistical data about the number of household in NWFP and Peshawar.

**Table 1: Number of household in district Peshawar<sup>1</sup>**

Location	Households 1998 Census				2007-08 (Estimated)
	Total Housing Units (Nos)	Rural Housing Units (Nos)	Urban Household Units (Nos)	Household Size (person)	Housing Units (Nos)
<b>N.W.F.P</b>	2210000	1842000	369000	7.5	3109000
<b>Peshawar</b>	234000	115000	119000	8.5	335000

According to the 1998 census, the total number of households in NWFP was 2210000 out of which 1842000 households were located in the rural area and 369000 households were in the urban areas with an average household size of 7.5. There were 234000 households located in the district of Peshawar where 115000 households were situated in the rural area and 119000 households were in the urban areas. The average household size in the district is 8.5. Whereas the estimated house hold units for 2007-2008 for NWFP and Peshawar are 3109000 and 335000 respectively.

According to the 2002 Local Government Ordinance district Peshawar has been classified into four towns i.e. Town-I, Town-II, Town-III and Town-IV. Two of the four income groups were identified in rural areas (Kankola, Pushtakhara) while the remaining two of the income groups were identified in the urban centers (Civil Quarters, Gulbahar) of District Peshawar.

<sup>1</sup> Important district wise socio-economic indicator of NWFP 2007, Bureau of statistics

Table 2: Prices of food and non food items<sup>2</sup> and percentage variation

S. No	Commodity	Unit	Prices in Feb 2007 (RS)	Prices in Feb. 2008 (RS)	% increase in prices between Feb 07 & Feb 08	Prices in March 08 (RS)	% increase in prices between Feb 08 & March 08	Prices in May 08 (RS)	% increase in prices between March 08 & May 08	Prices in June 08 (RS)	% increase in prices between May 08 & June 08	Prices in July 08 (RS)	% increase in prices between June 08 & July 08	Prices in August 08 (RS)	% increase in prices between July 08 & Aug 08	% increase in prices between Feb 08 & Aug 08
1	Wheat flour (A.Q)	Kg	15	19	27	22	16	23	5	24	4	28	17	28	0	47
2	Rice (Inf)	Kg	30	55	83	55	0	50	-9	80	60	95	19	90	-5	64
3	Sugar	Kg	30	26	-13	25	-4	25	0	30	20	32	7	33	3	27
4	Gur	Kg	45	30	-33	35	17	40	14	50	25	35	-30	43	23	43
5	Mash pulse	Kg	80	72	-10	72	0	70	-3	70	0	72	3	75	4	4
6	Gram pulse	Kg	48	44	-8	48	9	44	-8	58	32	60	3	65	8	48
7	Vegetable ghee	2.5 kg	165	255	55	280	10	290	4	290	0	295	2	281	-5	10
8	Beef	Kg	110	110	0	120	9	120	0	130	8	130	0	140	8	27
9	Milk fresh	Liter	25	28	12	28	0	28	0	30	7	32	7	32	0	14
10	Potatoes	Kg	16	15	-6	10	-33	14	40	20	43	20	0	20	0	33
11	Onions	Kg	20	14	-29	10	-29	15	50	15	0	14	-7	24	71	71
12	Garlic	Kg	70	50	-29	45	-10	45	0	45	0	45	0	60	33	20
13	Tea (S.Q)	250 gm	55	45	-18	55	22	60	9	65	8	65	0	57	-12	27
Percentage of difference in average price level					7.5	Percentage of difference in average price level										24.4
14	Kerosene oil	Liter	40	50	25	50	0	56	12	56	0	58	4	68	17	36
15	Petrol	Liter	54	54	0	62.3	15	62.3	0	71.8	15	88	23	87	-1	61
16	Diesel	Liter	38	38	0	44.5	17	44.5	0	51.24	15	65	27	65	0	71
Percentage of difference in average price level					7.5	Percentage of difference in average price level										54.9

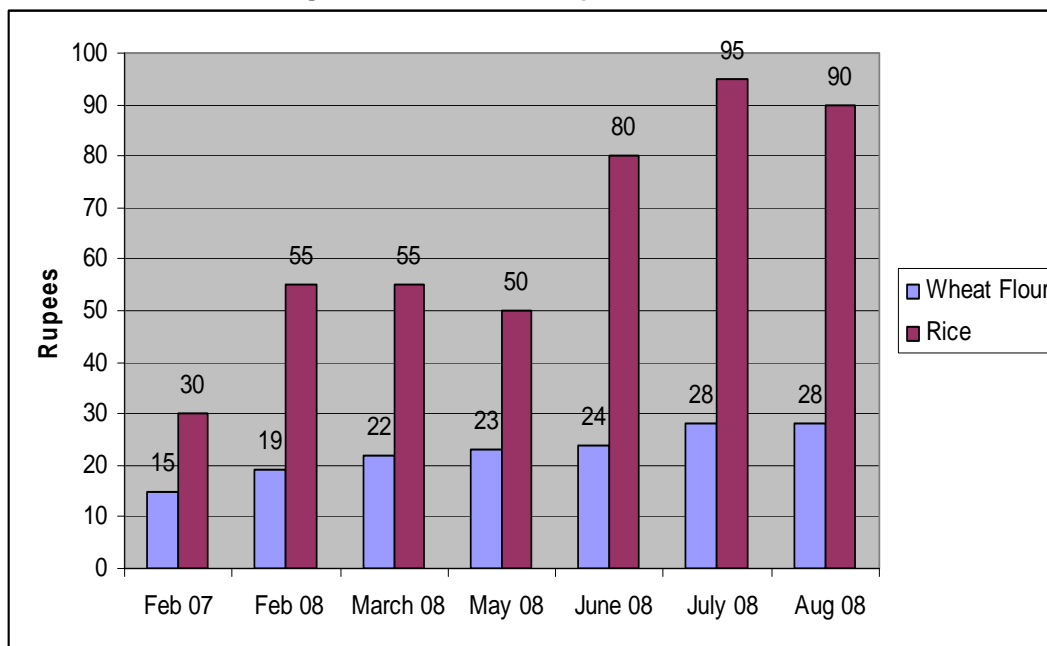
<sup>2</sup> Bureau of Statistics, NWFP

## B: Review of price variation

The prices of various food and non-food items were collected and these are reviewed as under.

### Review of prices of wheat and rice:

Figure 1: Wheat and rice prices fluctuation

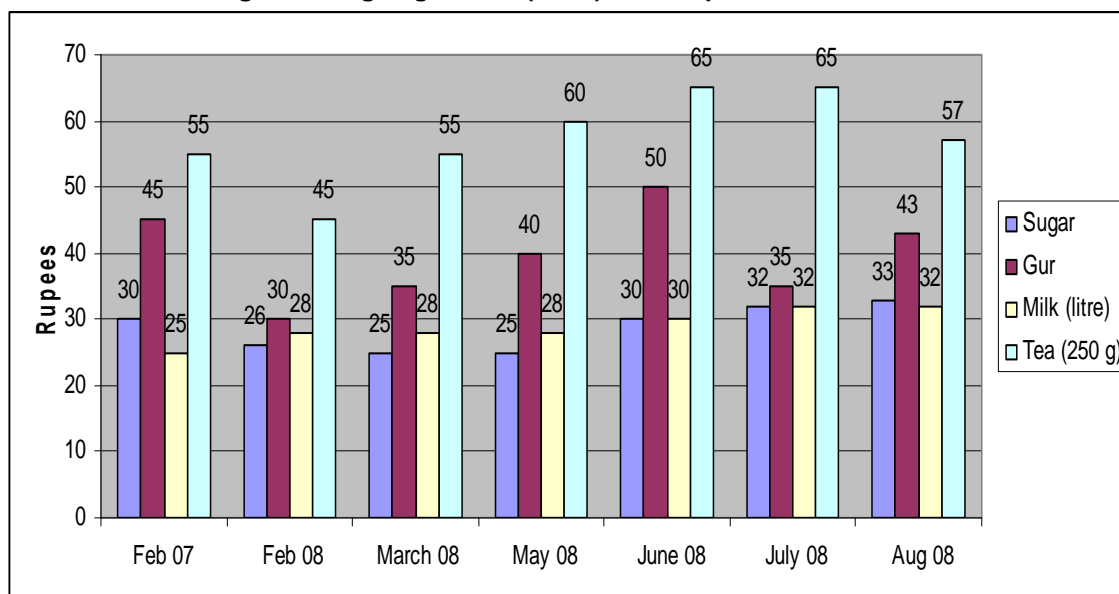


The study revealed that wheat flour increased by 27 % (from Rs 15 to Rs 19) between the period February 2007 and February 2008, while its price rose by 47 % (from Rs 19 to Rs 28) in just six months (i.e. between February 2008 and August 2008). Wheat is the staple diet and cannot be avoided and this price increase, affected all the income groups equally but the most hard hit were the low income groups.

Rice is an alternate to wheat and is mostly used as special dish for guest in social gatherings. The price of rice increased by 83 % (from Rs 30 to Rs 55) between the period of February 2007 to February 2008. Whereas the increase of rice grain prices is 64 % (from Rs 55 to Rs 90) in August 2008 as compared with its price in February 2008.

## Review of prices of sugar, gur, milk (fresh) and tea:

**Figure 2: Sugar, gur, milk (fresh) and tea prices fluctuations**



Sugar prices decreased by 13 % (from Rs 30 to Rs 26) in February 2008 as compared with prices in February 2007, while it increased by 27 % (from Rs 26 to Rs 33) during the six months period from February 2008 to August 2008. Sugar consumption is high in low and lower middle income group as compared to other two groups, because of their food intake pattern. So an increase in prices of sugar affects the low income and lower middle income groups more than other income groups.

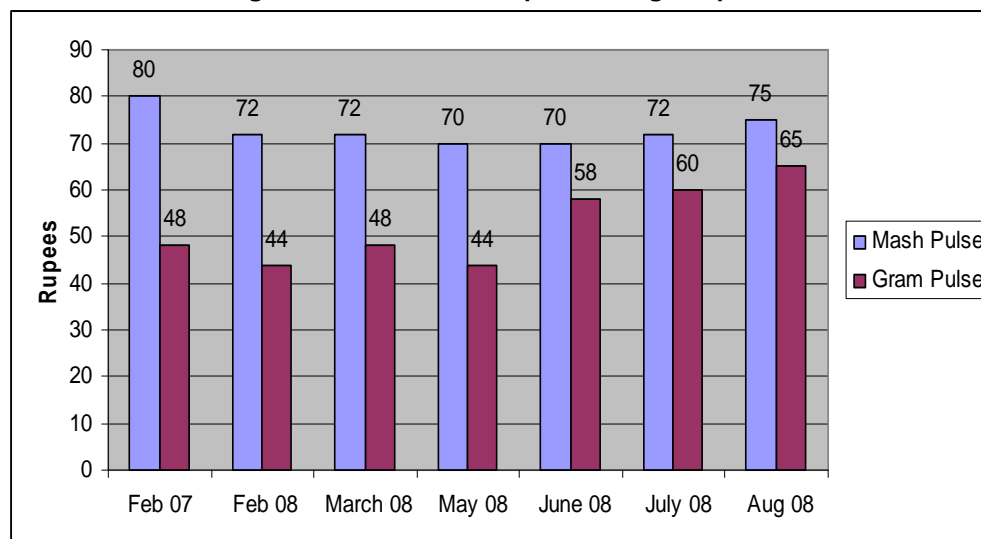
The data shows a decrease of 33% (from Rs 45 to Rs 30) in the price of gur as compared to previous year in the same month i.e. February 2007. The August 2008 data shows an increase of 43 % (from Rs 30 to Rs 43) in price since February 2008. People of the low income group especially who live in villages and use gur (instead of sugar) were adversely affected due to this increase.

An increase of 12% (from Rs 25 to Rs 28) was recorded in the prices of milk (fresh) in February 2008 as compared to February 2007 whereas there was a further increase of 14% (from Rs 28 to Rs 32) between February 2008 and August 2008. Milk is an essential food item for all income groups, especially the lower middle and middle income group. Milk is also a vital diet for children. The increase in prices reduces the intake of this vital food and as a result it may lead to health problems, especially in young children.

The price data for February 2008 indicates that prices of tea decreased by 18 % (from Rs 55 to Rs 45) as compared to February 2007. While the price of this commodity has shown an increase of 27 % (from Rs 45 to Rs 57) in the last six months. All the income groups use tea regularly so increase in tea prices adversely affected consumption pattern.

### Review of prices of pulses (mash and gram):

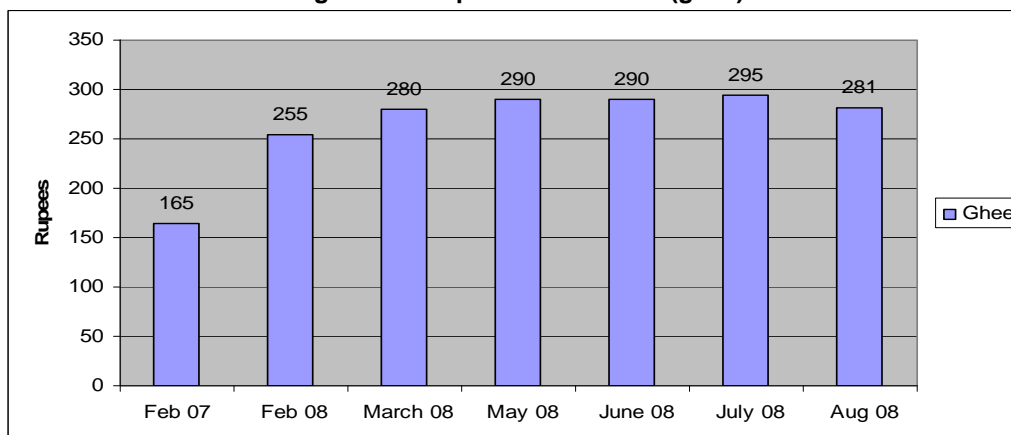
Figure 3: Prices of mash pulse and gram pulse



The consumption of pulses is higher in the low income and lower middle income group as compared to middle income group and high middle income group. A decrease was seen in the prices of pulses of 10% (from Rs 80 to Rs 72) and 8% (from Rs 48 to Rs 44) in the price of mash and gram pulses respectively while comparing the price of February 2007 and February 2008. Whereas there was an increase of 4% (from Rs 72 to Rs 75) in the prices of mash and an increase of 48% (from Rs 44 to Rs 65) in the price of gram pulse when compared with prices between February 2008 and August 2008.

### Review of prices of edible oil (i.e. ghee):

Figure 4: The price of edible oil (ghee)

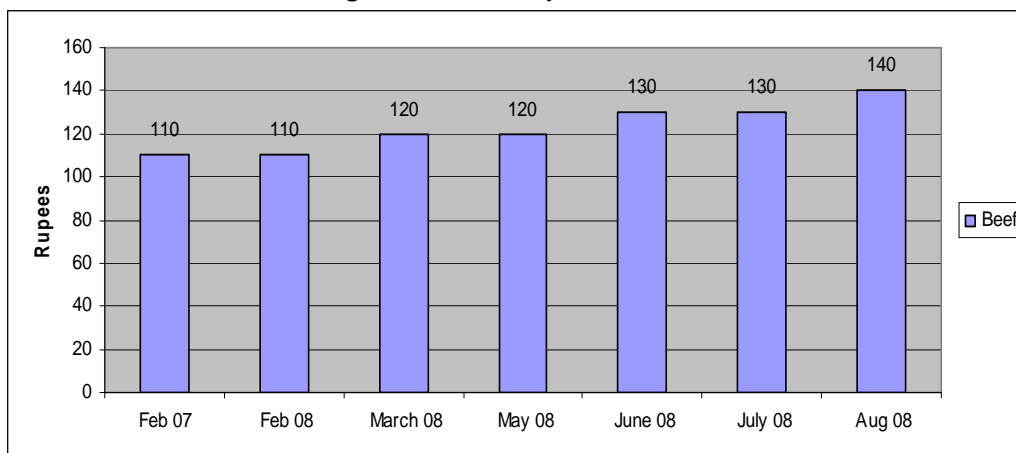


Ghee is a vital component for cooking its usage can be reduced but cannot be totally avoided. Due to its importance any increase in its price would affect households in all the four income groups. The data of February 2007 and February 2008 indicates that there has been a 55% (from Rs 165 to Rs 255) increase in the price of ghee as compared with a 10% (from Rs 255 to Rs 281) increase from February 2008 to August 2008.



**Review of prices of beef:**

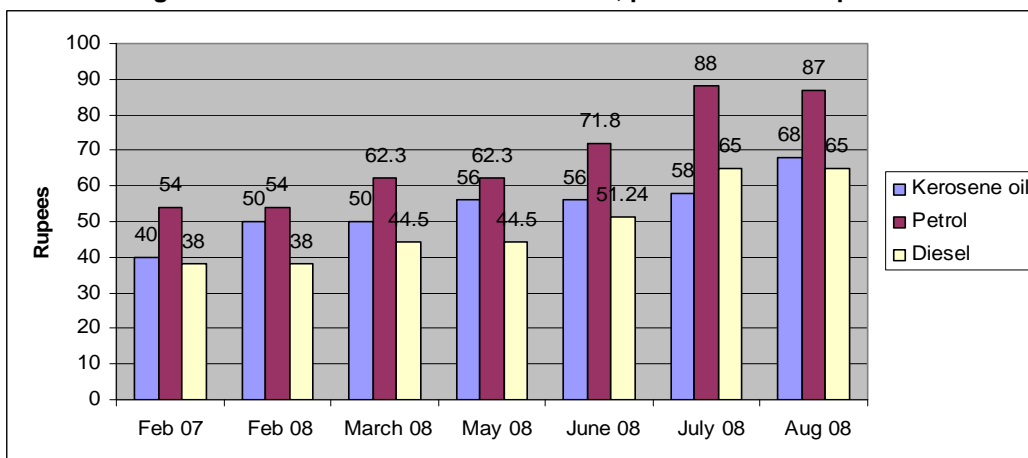
**Figure 5: The beef price variation**



No change in the prices of beef has been recorded over the period--February 2007 to February 2008, but the price of beef showed an increase of 27% (from Rs 110 to Rs 140) afterwards i.e. from February 2008 to August 2008. Lower middle income group and middle income group abundantly consume beef as one of their basic food item and the study revealed that its consumption has been reduced.

**Review of prices of non-food Item (kerosene oil, petrol and diesel):**

**Figure 6: The non-food Item kerosene oil, petrol and diesel prices:**



Increase in fuel prices acts as an upward pusher of general price level of all food commodities. Fuel is an input into agricultural production. It also places a critical affecting food costs because of addition to transport costs.

The prices of fuel items i.e. kerosene oil, petrol and diesel have also increased. The kerosene oil price increased by 25% (from Rs 40 to Rs 50) between the periods February 2007 and February 2008. It shows a further hike of 36% (from Rs 50 to Rs 68) after February 2008 till August 2008. The data of Petrol prices reveal that these prices remained stable between

February 2007 and February 2008. This stability was due to subsidy. Nonetheless, after the February elections hike in fuel prices shows an increase of 61% (from Rs 54 to Rs 87) and 71% (from Rs 38 to Rs 65) for petrol and diesel respectively between February and August 2008.

#### The difference of averages price increase in food and non-food Items:

**Table 3: percentage of the difference of averages in food and non food items**

Basket of goods	% difference of averages between February 2007 & February 2008	% difference of averages between February 2008 and August 2008
Food items	7.5 %	24.4 %
Non food items	7.5 %	54.9 %

The average price increases between food and non-food item were also surveyed during this study. It reveals that the percent price difference between food and non-food items was 7.5% for both food items and non-food items between February 2007 and February 2008. This percentage increase to 24.4% and 54.9 percent respectively, for both food and non-food items between the period of February 2008 and August 2008.

#### Comparison of prices of food items in utility stores with the open market

It is generally believed that the government controlled stores and shops sell different food items more cheaply than in the open market. This study also investigated the difference of prices of food items in these retail outlets.

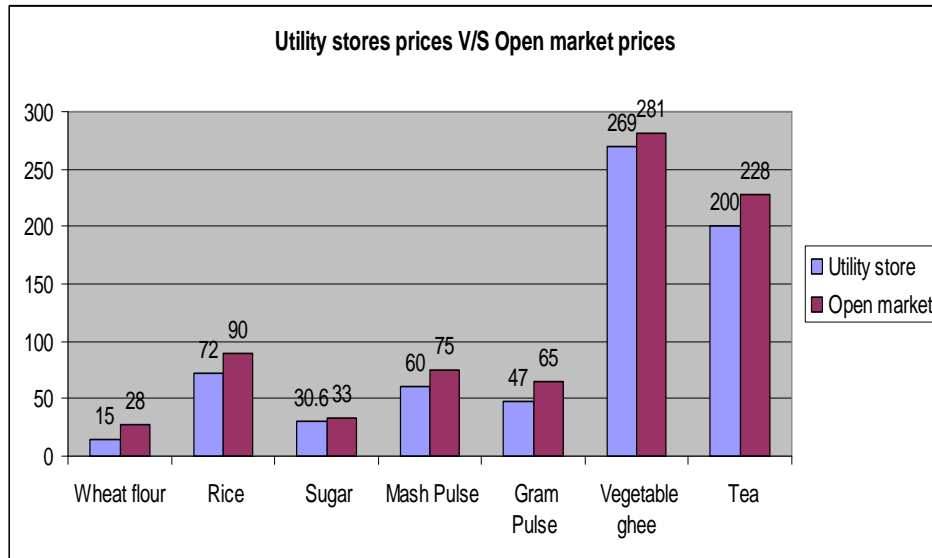
**Table 4: Comparison of prices of food items in utility stores as compared with open market prices (Period August to September 2008)**

S. No	Items	Unit	Utility Stores Prices <sup>3</sup> (RS)	Open Market Prices <sup>4</sup> (RS)	% difference
1	Wheat flour	1 kg	15	28	86
2	Rice	1 kg	72	90	25
3	Sugar	1 kg	30.6	33	7.8
4	Mash pulse	1 kg	60	75	25
5	Gram pulse	1 kg	47	65	38.2
6	Vegetable ghee tin	2.5 kg	269	281	4.4
7	Tea	1 kg	200	228	14

<sup>3</sup> Utility stores corporation of Pakistan, Regional Office Peshawar, Industrial Estate

<sup>4</sup> Bureau of Statistics, NWFP

**Figure 7: Utility stores prices verses open market prices**



Utility stores have been opened by the government to provide food and non food commodities at subsidized prices.

The numbers of utility stores in Peshawar zone are distributed in two regions i.e. Peshawar south and Peshawar north. Peshawar south has 94 utility stores in which 56 are regular stores and 38 are franchise stores. While Peshawar north has 120 numbers of stores of which 20 % are franchise stores and the remaining 80 % are regular stores.

The total number of utility stores in district Peshawar and surrounding FATA is 214 stores. The population density per utility stores is 26,240 persons. The numbers of utility stores are quite lesser in rural and poor areas; whereas more utility stores are working in those areas where lower middle income group and middle income group are dominant income group.

The franchise utility stores were opened by the government with the idea to reach more areas, where the government regular utility store are not present and government is unable to open them in these area. However these individual franchise stores defeat government policy. They are mostly shut and sell the different food items in open market at a premium thus defeating their welfare objective.

The prices of the wheat flour and grain pulses were 86 % and 38.2 % respectively higher in open market as compared to the utility stores rates. Similarly both rice and mash pulse were 25 % higher in open market. Similarly tea was 14 % higher in open market as compared with utility store price.

### C: Household views – focus group discussion

The following findings resulted from the basis of household survey (forty households) and discussions in four focus group discussions (FGD). These covered different income groups. Separate questionnaires were developed for household as well as for FGD and the questionnaires are at annex. The views of the respondents regarding the impact of the price hike on consumption of food and non-food items, consumption patterns and effect on their social obligation in the current situation was recorded. The coping strategies to deal with the price hike were also discussed.

#### Household perception regarding prices of essential food items:

**Table 5 : Household perception regarding prices of essential food items**

S. No	Commodities	Impact of price hike on budget (LIG) in %	Impact of price hike on budget of (LMIG) in %	Impact of price hike on budget of (MIG) in %	Impact of price hike on budget of (HMIG) in %
1	Wheat	60	62	51	35
2	Ghee	30	17	36	40
3	Rice	0	9	2	20
4	Pulses	10	7	0	5
5	Vegetables	0	4	11	0

The focus group discussion regarding essential food items points towards the fact that the wheat price has the worst effect on household budget and consumption suffers due to high prices. Most of the respondents from the four identified income groups said that hike in wheat prices affected their welfare the most. The impact of this ranges from 35% to 62% depending upon the level of income. At lower income level the impact was higher.

The prices of edible oil i.e. ghee had negative impact on consumption, as its usage cannot be avoided totally but it can be reduced to a certain extent. Rice prices did not have much impact on the income groups other than that of higher middle income group. Whereas, pulses and vegetables price increase has marginal impact on household budgets.

## Household perception regarding prices of non-food items:

**Table 6 : Household perception about prices of non food items**

S.no	Commodities	Impact of price hike on budget of (LIG) in %	Impact of price hike on budget of (LMIG) in %	Impact of price hike on budget of (MIG) in %	Impact of price hike on budget of (HMIG) in %
1	Fuel	55	49	45	75
2	Transportation	25	21	50	15
3	Education	20	11	0	10
4	Medicine	0	19	0	0
5	Others	0	0	5	0

The study of price hike in non-food items reveals that the fuel price increase affected all income groups. It resulted in the increase of the cost of transportation which affected all the four income groups. The impact of increase in the prices of fuel ranges between 45% and 75%, while that of transportation ranged between 21% and 50% in all the income groups.

## Household perception regarding coping strategies:

**Table 7: Household perception about coping strategies**

S. No	Strategies	Low income group (Value in %)	Lower middle income group (Value in %)	Middle income group (Value in %)	High middle income group (Value in %)
1	Low consumption	50	35	50	35
2	Additional work	20	40	40	50
3	Change in food consumption	30	15	10	15

The study reveals that the main strategies which were adopted by the four income groups, in order to cope with price hike, was to lower their food consumption and they opted for additional work other than their daily jobs, so that their incomes may increase to cope with rising expenditures. The people of low income group opted to have less number of meals a day i.e. they now occasionally have three meals in a day, after February 2008.

The survey identified that 50% of the low income and middle income group reduced food consumption, while 50% of the high middle income group opted for more work more to raise incomes for meeting the increase in food expenditure. This indicates that the lower middle income group, which mostly consists of government servant (working class), chose to work extra hours, wherever an opportunity occurred.

The study further reveals that 30% of the low income group changed their food intake pattern as a result of current price hike after February 2008. The low income group mostly changed their food pattern by altering dietary choices i.e. they replaced pulses with beef and having more curry for their dishes.

During focus group discussion it was revealed that the low income group directed their children to work at odd job / works instead of going to school and as a result this has lead to an increase in child labor. The primary school dropout rate is also reported to have increased since February 2008.

**Household perception about impact of price hike on social gatherings:**

The price increase also affected socializing amongst the communities to a large extent; especially matter like weddings were affected the most. The study reveals that almost all income groups were badly affected.

**Table 8 : Household perception about social gatherings**

S.no	Social gatherings	Low income group (Value in %)	Lower middle income group (Value in %)	Middle income group (Value in%)	High middle income group (Value in %)
1	Weddings	80	70	80	80
2	Others	20	30	20	20
3	Funerals	0	10	0	0

The study reveals that the funeral ceremonies were not affected by the present price hike starting from February 2008. Other ceremonies were also less affected by the price hike.

During focus group discussion it was found that people of all income group reduced their expenditures on food, jewelry, bridal and bridegroom clothes and entertainment activities.

**Expectation perceptions of respondents:**

**Table 9 : Expectation perceptions**

S.no	Expectations	Low income group (Value in %)	Lower middle income group (Value in %)	Middle income group (Value in %)	High middle income group (Value in%)
1	Improvement	0	0	30	0
2	No improvement	100	100	70	80
3	No change	0	0	10	20

The survey and the focus group discussion revealed that almost all the groups did not anticipate any positive change in the price situation in near future. It was feared that the price hike will increase in the near future.

## Finding of the survey:

### Income versus expenditure relationship

The findings about monthly income and expenditure confirmed that the purchasing power of the general public was on a downward trend and pointed towards a deteriorating situation. Indebtedness increased for the low middle income group. A brief summary of all four income levels is given below:

#### a) Low Income Group (LIG):

**Table 10 : Monthly average income and expenditure of low income group**

##### Family description and monthly earnings:

Family size	6 persons		
Earners	1 person		
School going children	2		
Monthly income	Rs.6000/- during February 2008	Rs.7,500 during August 2008	25% increase

##### Average monthly expenditures:

Figure in rupees

S. No	Items	Monthly expenditure during February 2008	Monthly expenditure during August 2008	% difference
1	Wheat flour	960	1040	8.3
2	Ghee	450	750	66.6
3	Sugar	300	600	100
4	Tea (s.q)	300	400	33
5	Salt/masala/vegetable/ pulses etc.	900	1000	11
6	Milk	480	600	25
7	Beef	300	200	-50
8	Fire wood	800	1000	25
9	Electric bill	500	680	36
10	Transport	720	900	25
11	Education/pocket money for children	420	520	24
12	Health	300	660	
13	Washing soap/both soap	120	120	0
	<b>Total</b>	<b>6550</b>	<b>8470</b>	<b>29</b>

In the low income group a family of 6 person with 2 school going children each was examined and it was revealed that the monthly expenditure increased by 29%, while their income increased by 25% only between period of February 2008 and August 2008. In order to meet the expenditure gap the low income group family usually sent their children to work instead of sending them to school in order to make ends meet. They also took loans or sold household goods for meeting liabilities.

**b) Lower middle income group (LMIG)**

**Table 11 : Monthly average income and expenditure of lower middle income group**

Family description and monthly earnings:

Family size	7 persons		
Earners	1 person		
School going children	3 Children		
Monthly income	Rs.16,000/- during February 2008	Rs.20,000/- during August 2008	25% increase

Average monthly expenditures:

Figure in rupees

S. No	Items	Monthly expenditure during February 2008	Monthly expenditure during August 2008	% difference
1	Wheat flour	2,000	2,500	25
2	Ghee	1,600	2,100	31.25
3	Sugar	1,000	1,100	10
4	Tea (s.q)	500	700	40
5	Salt/masala/ pulses etc.	600	1,000	66.6
6	Milk	1200	1,500	25
7	Beef	1,000	1,400	40
8	Gas bills	200	500	40
9	Electric bill	500	1,000	100
10	Transport	800	1,400	75
11	Health	1,000	2,000	100
12	Vegetables	2,000	3,000	50
13	Education/miscellaneous	2,000	3,000	50
	<b>Total</b>	<b>14,400</b>	<b>21,200</b>	<b>47</b>

In lower middle income group a family of 7 person with 3 school going children was studied and it was found that the monthly expenditure increased by 47%, while their income increased by 25% between period of February 2008 and August 2008. In these circumstances the lower middle income groups' family which had some saving before February 2008 from their monthly expenditure were now in debt.

To cope with the present price hike, they either worked more jobs or lowered their food consumption. Some people of lower middle income group also changed food intake pattern (e.g. consuming more pulses than beef or chicken etc.) and they also replaced medium quality food items with lower grade food quality.



**c) Middle income group (MIG)**

**Table 12 : Monthly average income and expenditure of middle income group**

Family description and monthly earnings:

Family size	8 persons		
Earners	1 person		
School going children	4 Children		
Monthly income	Rs.20,000/- during February 2008	Rs.24,000/- during August 2008	20% increase

Average monthly expenditures:

Figure in rupees

S. No	Items	Monthly expenditure during February 2008	Monthly expenditure during August 2008	% difference
1	Wheat flour	1920	2040	6.2
2	Ghee	1800	2200	22
3	Sugar	250	330	32
4	Tea (s.q)	300	330	10
5	Salt/masala/vegetable/ pulses etc.	2700	3600	33
6	Milk	1300	1680	29
7	Beef	960	1120	17
8	Fire wood/gas	500	720	44
9	Electric bill	1750	2300	31
10	Cloths/shoes	1067	1200	12
11	Transport	1700	2400	41
12	Education/pocket money for children	2800	3000	7.1
13	Health	600	1000	67
14	Washing soap/both soap	400	600	50
15	Mobile card/telephone	750	1000	33
16	Miscellaneous	1200	2300	92
	<b>Total</b>	<b>19,997</b>	<b>25820</b>	<b>29</b>

In middle income group a family of 8 person with 4 school going children was studied and it was found that during the period from February 2008 to August 2008, their monthly expenditure increased by 29%, while their income increased by 20%. This group coped by working more to enhance their income.

**d) High middle income group (HMIG):**

**Table 13: Monthly average income and expenditure of high middle income group**

Family description and monthly earnings:

Family size	5 persons		
Earners	1 person		
School going children	3 Children		
Monthly income	Rs.30,000/- during February 2008	Rs.35,000/- during August 2008	17% increase

Average monthly expenditures:

Figure in rupees

S. No	Items	Monthly expenditure (Rs) February 2008	Monthly expenditure (Rs) August 2008	% Difference
1	Wheat flour	4,000	6,000	50
2	Ghee	1,500	2,000	33
3	Sugar	2,500	3,000	20
4	Tea (s.q)	1,000	1,200	20
5	Salt/masala/ pulses etc.	1,100	1,500	36
6	Milk	1,000	1,500	36
7	Beef	1,800	3,000	50
8	Gas charges	500	700	40
9	Electric bill	2,000	4,000	100
10	Transport	1,500	3,000	100
11	Education/ miscellaneous	5,000	7,000	40
12	Health	2,000	3,000	50
13	Vegetables	2,500	3,500	40
	<b>Total</b>	<b>26,400</b>	<b>39,400</b>	<b>49</b>

The study showed that in high middle income group a family of 5 persons with 3 school going children, expenditure rose by 49% during the period from February 2008 to August 2008, while the monthly income increased only by 17%.

Under these circumstances the high middle income group family usually met the expenditure gap by extra jobs.

## E) Relationship between price hike and school drop out rate:

### Dropout rate

People in the lowest income group generally took out their children from school and put them to earn additional income for overcoming the price hike. The dropout of the school going children is encouraging child labor. The following table shows a high dropout rate. This information was collected from village Kankola of Peshawar district, where this survey was conducted; it is reflective of prevailing conditions.

**Table 14: Government middle school kankola dropout rate 2007–08 and 2008–09 sessions**

Class	Students passed in 2007-08	Students enrolled in 2008-09	Dropout rate
5 <sup>th</sup> to 6 <sup>th</sup>	93	73	21.5 %
6 <sup>th</sup> to 7 <sup>th</sup>	70	54	22.8 %
7 <sup>th</sup> to 8 <sup>th</sup>	56	50	10.7 %
Total	219	177	19.18 %

The price hike has affected all the categories of income levels, but the low income group was hit hardest and compelled to take out their children from school, as shown by the dropout rate above.

The table shows that children of 7<sup>th</sup> grade (class) were the most affected and it has also been observed that children of ages 11 to 14 were mostly engaged in child labor. Thus there is a co-relationship between dropout rate and increase in child labor.

In the focus group discussion it was revealed that even the lower middle and middle income group households have taken out their children from private schools and inducted them into public sector schools, due to heavy fees and other education related expenditures like transportation of children to school.

This study discloses that the students of 6<sup>th</sup> grade dropout rate are 21.5 %, while for class 7<sup>th</sup> and 8<sup>th</sup> it was 22.8 % and 10.7 % respectively. The total dropout rate was 19.18% and needs the attention of authorities.

It was also found that although school dropout rate was high but the migration of families from high security risk areas like Swat, Bajur, Kurram and Khyber Agencies led to an increase in the number of student in those schools lying in vicinity of IDP camps.

## Number of students leaving school during May to Sep 2008”

**Table 15 : Students left school during May to Sep 2008**

Class	May 2008	Sep 2008	% student left
6 <sup>th</sup>	73	70	4.1
7 <sup>th</sup>	54	52	3.7
8 <sup>th</sup>	50	46	8
Total	177	168	

In the focus group discussion it was observed that due to increasing expenditure parents their children to leave school and seek employment.

The percentage of students who left school was thus high. In 8th class 8 % of the boys left school which is high. Students of this age are capable to hold jobs and thus share the burden of household expenditure at an early age.

## Inflation rate<sup>5</sup>

**Table 16: Inflation rate**

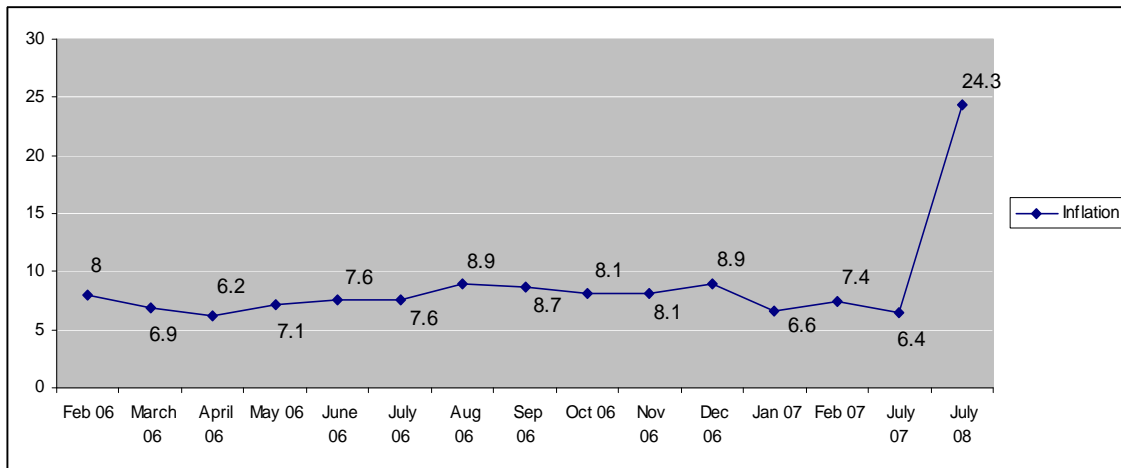
Months	General inflation (%)	Food items inflation (%)	Non-food items inflation (%)
February 06	8.0	7.5	8.4
March 06	6.9	5.4	8.0
April 06	6.2	3.6	8.0
May 06	7.1	5.6	8.2
June 06	7.6	7.8	7.5
July 06	7.6	7.4	7.8
August 06	8.9	11.1	7.4
September 06	8.7	11.3	7.0
October 06	8.1	10.5	6.4
November 06	8.1	10.6	6.3
December 06	8.9	12.7	6.2
January 07	6.6	8.7	5.2
February 07	7.4	10.0	5.6
July 07	6.4	8.5	4.9
July 08	24.3	33.8	17.3

If we compare the rate of inflation published by the Federal Bureau of Statistics (FBS) pertaining to inflation for the first month (July) of the current fiscal year (2008-09) the overall CPI-based inflation registered a sharp increase in July 2008 as against the corresponding month of last year. The overall inflation increased to 24.3 percent in July, 2008 as against 6.4 percent in the corresponding month of last year (July, 2007). When viewed in the long term perspective; this month's inflation is the highest since the 1970's. The record breaking increase

<sup>5</sup> Inflation rate and the percentage difference in average price level are two different phenomena.

in overall inflation of 24.3 percent in July, 2008 was largely attributed to a sharp pick-up in both food (33.8%) and non-food (17.3%) inflation which increased from 8.5 percent and 4.9 percent respectively from July, 2007.

**Figure 8: Trend of price increases<sup>6</sup>**



A very low base of last year as well as massive increases in both oil and commodity prices have augmented this extreme inflationary trend in Pakistan. Inflation for the current fiscal year 2008-09 has been targeted at 11.0 percent but it rose to 24.3 percent.

<sup>6</sup> [http://www.sbp.org.pk/publications/Inflation\\_Monitor](http://www.sbp.org.pk/publications/Inflation_Monitor), 2007 State Bank of Pakistan.

## **F) Recommendations**

1. Food security of low income groups has been badly affected due to the price like. The poverty levels are likely to have increased.
2. The government may also consider introduction of food entitlement coupon system for those living on or below the poverty line.
3. The government should not encourage opening of franchise utility stores since they are used for profiteering.
4. There is a need for opening more utility stores in the urban towns and large villages. The list of items sold in utility stores should be reduced to cover food items only.
5. Provincial government may consider introduction of scheme for distribution of free milk and vitamin A-D in primary schools so that scholastic abilities are not debilitated.
6. The provincial government should study the impact of reduction of calorific intake on the health of child/mother due to increase in prices of essential food items.
7. There was a need to introduce public transport facilities at reduced rates to provide relief to the low income earners in the urban areas.

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**Work plan price hike and its impact on house hold income from February 2008 to August 2008**

S. No	Activities	Dates																
		2-5 Aug	6-7 Aug	8 Aug	9-12 Aug	14-15 Aug	16 Aug	17 Aug	18 Aug	19-21 Aug	22-23 Aug	25-27 Aug	28-29 Aug	30 Aug	1 Sep	2 Sep	3-6 Sep	8 to 16 Sep
1	Preparation of proposal	■																
2	Preparation of final questionnaire		■															
3	Amendments in questionnaire			■														
4	Preparation of questionnaire for house hold survey				■													
5	FGD and house hold survey will be conducted in civil quarters. (government class)					■												
6	FGD and house hold survey will be conducted in kan kola. (poor class)						■											
7	FGD and house hold survey will be conducted in gul bahar. (business class)							■										
8	FGD and house hold survey will be conducted in pushtakhara. (middle class)								■									
9	Final reports of all FGDs and house hold survey									■								
10	Compilation of data										■							
11	The basic analysis was drafted from the FGD and household survey											■						
12	First draft of the final report												■					
13	Discussion with supervisor													■				
14	Second draft of the final report														■			
15	Discussion with supervisor															■		
16	Third report of the final report																■	
17	Fourth report of the final report																	■



## House hold questionnaire

Area \_\_\_\_\_ district/agency \_\_\_\_\_  
Interviewer \_\_\_\_\_ date of interview \_\_\_\_\_  
Respondent name \_\_\_\_\_  
Respondent sex 1-male 2-female  
Respondent age (years) \_\_\_\_\_

1. Have you observed significant increase in prices of food over the past month compared to the last year?  
A) Yes                      b) No
2. Which food item is most affected?  
A) Ghee                      b) Wheat flour                      c) Rice  
D) Pulses                      e) Vegetables
3. Have you observed a significant increase in non-food items?  
A) Yes                      b) No
4. Which non-food item is most affected?  
A) Fuel                      b) Education                      c) Transportation  
D) Medicine                      e) Others
5. Which type of increase effects you more?  
A) Food items                      b) Non-food items
6. Who in the community is the least affected?  
A) Poor                      b) Middle                      c) Govt  
D) Businessman
7. How do you cope with the current price hike?  
A) Additional work                      b) Low consumption of food  
C) Change pattern of food
8. Do any of these household receives any external support?  
A) Zakat                      b) Alms                      c) Food support program  
(d) None
9. Has this rise in price affected social gathering arrangements?  
A) Weddings                      b) Funerals                      c) Other functions
10. Have you observed more crimes occurring?  
A) Yes                      b) No

11. In which type of crime have you observed a significant increase?

- A) Killings
- b) Kidnapping
- c) Robbery
- D) Street crimes

12. Has education been affected by the recent price hike?

- A) Yes
- b) No

13. How do you perceive the future price trends?

- A) Improvement
- b) Worsened
- c) Stable

14. How can your situation be improved?

- A) Government
- b) Masses
- c) Private sector

## Focus group discussion questionnaire

- Q 1. Have you observed a significant increase in prices of food over the past months compared to last year?
- Q 2. Which food has been most affected?
- Q 3. Have you observed a significant increase in the prices of any non food commodities?
- Q 4. Which type of price increase affect you most and why/
- Q 5. Who in the community has been least affected and why/
- Q 6. How are the households coping with the price increase? What are the different measures taken by household to take ends meet? What changes have taken place?
- Q 7. Do any households in this community receive any external support? (zakat, alms, food support program, ushers, etc)
- Q 8. Have eating habits changed compared to last year? What changes occurred in quantity and types of food consumed? Please describe.
- Q 9. Have there been any changes in marriage ceremonies and arrangement patterns since the beginning of the year compared to years before?
- Q 10. Have you observed more crimes occurring? Do you feel less secure?
- Q 11. Have some families stopped sending their children to school because they can not afford it any more? Is this because of the price hike?
- Q 12. How do you see the future?
- Q 13. What would you like to see happening to improve your current situation?
- Q 14. Can you influence changes improving your situation?

## Region wise distribution of utility stores

### Regular utility stores

S.no	Name of store	S.no	Name of store
1	Stc	29	Badabair
2	Pfi	30	Sufaid dairi
3	Agriculture	31	Old gulbahar
4	Kmc	32	Pandu chock
5	Bise	33	K.v.p
6	Phase 3 hayatabad	34	Regi aftezai
7	Phase 1 hayatabad	35	Shaheen camp
8	Phase 6 hayatabad	36	New gul bahar
9	Town chock	37	Urmar miana
10	Tehkal payan	38	Hazar khwani
11	Cdc	39	Palosai
12	Dabgari gate	40	Regi lalma
13	Civil secretariat	41	T & t
14	Sirky gate	42	A.g office
15	Khan mast	43	Paf base Peshawar
16	Bazed khel	44	Wazir bagh
17	Paf base b.bair	45	Rural academy
18	Kohat road (new)	46	Mulazai
19	Governor house	47	Lai zar market phase 1 hayatabad
20	Chery koban	48	Phase 6 new hayatabad
21	Kohat road (old)	49	Gelani manzal bara
22	Deh bahadar	50	Phase 5
23	Super marker sadar cantt	51	Tehkal bala
24	Haji camp	52	Nauthia jadeed
25	Phase 4 hayatabad	53	Gulbarg
26	Academy town	54	Ring road hayatabad
27	Shekh mohamadi	55	Kakshal 1
28	Mashogagar	56	Tarna farum

### Franchise utility stores in south region

S.No	Name of store	S.No	Name of store
1	F-c-1	11	Mattani
2	F-c-2	12	Sheri kair
3	Tehkal bala	13	Chamkani
4	Panam dairy	14	Maryam zai (b/ghari)
5	Nasir bagh	15	Mushterzai
6	Sufaid sang	16	Ajab talab
7	Mera kachuri	17	Suleman khel
8	Maryiam zai (b/bair)	18	Suri zai bala
9	Pawaka	19	Swati patak
10	Urmar payan	20	Pishtakhara

### Franchise utility stores in FATA

S.no	Name of store	S.no	Name of store
1	Dara adam khel	11	Bara
2	Sahi pull	12	Old landi kotal
3	Para chinar	13	Kata khusta
4	Khyber mart	14	Khuga khel
5	Tor kham	15	Kar khano market
6	Bara f-r	16	Adezai (mattani)
7	Wazir dhund	17	Kam shalman
8	Ali zai	18	Lowi shalman
9	Jamrud		
10	Sadda		