



Financial Inclusion of Street Vendors: With Special Reference To Street Vendors of Jorhat Town of Assam

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ABSTRACT

Financial inclusion is an integral part of inclusive and sustainable growth process of an economy. Proper access to finance at an affordable cost to all the section of the society is a key requisite to economic growth. In a developing country like India, a large segment of the society, particularly, low income people have very little access to formal financial sector. Street vendors are one of the most marginalised, poor as well as vulnerable sectors of the urban areas of India. In this paper, the role of financial institution in enabling the street vendors to access the financial service is being studied as these segment can grow themselves as successful entrepreneur provided they receive financial services at affordable cost.

KEYWORDS :

Introduction:

A person can live a independent life only when he is independent in various aspects of his/her life. Viz. social, political, economic all aspects are related. Economic independence is important in personal as well as collective life as it help in flourishing the other two. Economic independence refers to the capacity to acquire the means of life and be self-reliant. Those who lack the resources lack the opportunities to make their life independent.

In the present monetary economy, money is an important means of acquiring the resources for production. On the base of money a financial system is developed in all the countries of the world, although the phases of development varies. The financial system refers to existence of different institution viz. banks, insurance companies, capital market, NBFCs, clearing houses, which provide different financial services like deposits, credits, remittance facility etc. and create some financial instruments for convenience of providing financial services. A systematic and structured financial system is must to progress the economy in modern times. It monitor the financial flows/ capital flows in the economy. Development of the financial system is one aspect of economic development. The financial system can bring progress in the economy only when it encompass all the segments of the people and ensure participation of people in creation of wealth.

For a balance growth in the economy the various inequalities are to be removed from society and economy. Financial services and resources are still not easily accessible to some group of people in society because of various reason.

In India banking system many initiative are taken for bringing those underprivileged segment of people under the formal banking system and which is termed as financial inclusion. There are some unbanked geographic areas and some unbanked people that need to be taken care of for financial inclusion. Those people who do not have a bank account for keeping their savings can not make investment in the time of need nor have the future financial security ; Even some individual who are generally from low socio-economic background can not make out how many opportunities they loss for not having access to formal financial institutions. Illiteracy, unawareness, poverty, low socio-economic status are reason for financial exclusion Bank branches remoteness or unbanked area also let people to remain unaware and inaccessible to the formal banking system.

About street vendors:

Those person who sell their goods and services in the roadsides or footpaths are known as street vendors.

"Street vendors means a person engaged in vending of articles, goods, wares, food items or merchandise of everyday use or offering services to the general public, in a street, lane, side walk, footpath, pavements, public park or any other public place or private area, from a temporary build up structures or by moving from place to place and includes hawker, peddler, squatter and all other synonymous terms which may be local or region specific." (The Street

Vendors(Protection Of Livelihood And Regulation Of Street Vending) Act,2014) .

There are stationery street vendors who carry out vending activities on regular basis at a specific location; They normally occupy a pitch on the pavement by spreading a tarp or blanket on the ground, in some cases they may have makeshift stalls. Mobile vendors are those who carry out vending activities in designated area by moving from one place to another place vending their goods and services; some sell their wares on push carts, some carry their wares in baskets on their heads, some in tricycle, bicycle, trolley. Street vendors offer goods at affordable price and so people often buy some goods from street vendors.

The item sold by street vendor consist of a variety of perishable and non-perishable goods. The non-perishable items include clothes, metal utensils, plastic goods, leather goods, electronics. The perishable goods include vegetables, fruits and fruit juices, flowers, fish, cooked food etc.

Street vending is a livelihood source as a last resort. A study report carried for National Association of Street Vendors in India(NASVI) states two main causes for growth of street vending ; firstly lack of gainful employment coupled with poverty in rural areas has pushed people out of their village in search of better existence in the cities. These migrants do not possess the skills or education to enable them to find better paid, secure employment in the formal sectors and they have to settle for work in the informal sector. Secondly there is another section of people who are forced to join the informal sectors because of loss of job in formal sector. It also added that there are links between street vending and global trends in the economy. The reason for adopting street vending attributed to lack of or insufficient skills to get regular job, low investment and comparative ease of entering the trade.

The life of street vendors are not easy. They are viewed as illegal traders and people often complaint about street vendors creating a obstacle in the footpath or pavements. As a result they become easy targets of municipal authorities and police. Moreover low level of education and skill, limited access to formal credit hinder them to access emerging market opportunities.

Of late guideline are prepared for providing better working environment for street vendor under National Urban Livelihood Mission.

According to IEMS informal economy monitoring study street vending makes up 11% of the total urban employment and 14% of the total urban informal employment. A survey conducted on street vendors of ten cities in India report that on an average the daily income of street vendors remain in between Rs.141 to Rs. 220. The same study surveyed on their different sources of capital . The varied sources are own savings, moneylenders, co-operatives, friends and relatives, wholesalers. The highest source of capital for street vending found to be own saving. It is evident from the survey results which include 200 street

vendors from each city taken for the study; it shows that out of the 200 street vendors 47.5% in Bengaluru, 74.5% in Bhubaneswar, 65% in Delhi, 92% in Hyderabad, 62% in Indore, 65.7% in Mumbai invested their own capital in the business. The next big share of capital is from moneylenders which is supported by the data that out of 200 street vendors in each city 35.5% in Bengaluru, 19.5% in Bhubaneswar, 18% in Delhi, 8% in Hyderabad, 22.7% in Mumbai resort to money-lender. In Imphal and Jaipur the biggest share of source of capital is moneylenders as the percentage count is 64.5% and 65%. In Indore wholesalers are good source of capital for street vendors as its share is 30%. The IEMS informal economy monitoring study state that lack of capital is a major problem of street vendors which have impact on maintaining their variety, quality of stocks offered to customers. This slow their sale and reduce their competitiveness. They could not earn enough to pay for a license or to pay off the police as a result of which they are fined or arrested which leads to more cost.

Though moneylenders stand as a easy source of capital because of less formalities and easy accessibility, the possibility for bringing them difficulty in future is more. They may be push into debt trap as money lenders charge higher interest rates. Most of the street vendors in the above study found to have no bank account and they are functionally inaccessible to different financial services provided by banks and other financial institution.

This paper is prepared on income and saving habits of street vendors in Jorhat town. The study is also covering the accessibility of financial services by street vendors in the study area.

Financial inclusion:

Financial inclusion is a noble initiative. *“Financial inclusion is the process of ensuring access to appropriate financial products and services needed by all sections of the society in general and vulnerable groups such as weaker sections and low income group in particular, at an affordable cost in a fair and transparent manner by regulated mainstream institutional players.”* (Chakroborty,2011). Effort has been made to deliver a minimum of four basic products and services, viz. a saving account with overdraft facility, a remittance product, a pure saving product preferably variable recurring deposit, and an entrepreneurial credit product such as Kisan Credit Card (KCC) or General purpose credit card(GCC).Along with banks Micro finance institutions(MFI), nonbanking financial companies(NBFC), Non-Government Organisations(NGO) play important role for financial inclusion.

Many initiatives like nationalisation of banks, lead bank scheme, incorporation of Regional rural banks, service area approach, formation of Self Help Groups are already taken for making banking services available to masses. Moreover the regulator RBI have taken a number of policy measure for enabling banking institution for providing cost-effective services to the needy people .Such as relaxation of Know your customer norms(KYC), simplified branch authorisation, liberalisation of Business correspondent model, opening of branches in unbanked rural centres. An intermediary based banking service model (Banking facilitator and Banking correspondent act for delivering the banking service) is advocated for reaching the unbanked areas where a brick and mortar branch is not viable because of uneven population spread in the areas. A technology driven solution helps in accelerating the pace of financial inclusion. Financial inclusion initiative are taken by Reserve Bank of India, Central Government and also the state Governments. In every two years India’s financial inclusion drives reforms itself into a brand new avatar.(Rajshekhar ,2014)

Inspite of taking all these initiative there is still long distance to reach 100% financial inclusion. The December, 2013 Nachiket Mor committee report on financial services for small business and low income household estimate that 60% of India’s population still does not have functional bank accounts. In terms of numbers, nearly 7.5 crore households out of a total 25 crore still do not have any access to any formal financial services; 90% of small business have no linkage with formal financial services. The same committee favours two new institution: a payments bank and a wholesale bank. The payment bank is for those who make payments and withdrawals only, and the wholesale bank will provide facility of credit along with deposits and payment facilities.

Recently on august 15, 2014 Prime minister of India launch a new

scheme Pradhan Mantri Jan Dhan Yojana (PMJDY). The Jan Dhan Yojana can be vied as Financial inclusion 3.0. (Hota ,2014) Under this scheme those families who do not have a bank account can open a bank account free of cost .The account will be a zero balance account for which the account holder will be free from being charged for not maintaining minimum balance. They will get a Rupay debit card, an accidental insurance of Rs 1 lakh and also a overdraft facility of Rs 5000 limit if the person keep the account active and save some money . For keeping the accounts active various measures are also taken such as connecting the Direct Benefit transfer(DBT) scheme to these accounts. The government has rolled out 34 welfare schemes on the direct benefits transfer(DBT) platform with 9.90 crore beneficiaries. Moreover the overdraft facility under the scheme will act as a micro-financing platform with no exploitative interest rates. A financial literacy programme will be an integral part of Jan Dhan and financial literacy centres will be opened by banks at the district level. Also unorganised sector pension scheme like ‘ will be integrated with the Jan Dhan in next phase.

A report in *Business Standard* states that though the PMJDY has successfully exceeds its financial inclusion target by opening 115 million bank accounts most of these are ‘zero balance’; only 28% accounts are active with about Rs.9000 crore.

Significance of the study:

Street vendors are part of urban life and economy. They serve a larger segment of low income earning and middle income earning people. Street vendors are often remain out of the organised banking services . Lack of identity proof, address proof, legal rights over their place or business and evidence of their trades hamper them to access financial services. No such organised efforts are also taken for linking street vendors to the banking institution. The role of financial institution in enabling these street vendors to access the financial service is be studied as these segment can grow themselves as successful entrepreneur provided they receive financial services at affordable cost.

Methodology of the study:

The present study is descriptive and analytical in nature as it aims at describing the status of street vendors on the accessibility of banking services in Jorhat town of Assam. A field survey is conducted for the study. A sample size of 50 is taken and response are collected in a structured schedule questionnaire. Researcher has adopted convenience sampling for determining the sample The schedule questionnaire consist of 20 questions .Quantitative methods are applied for analysis the collected data.

Objectives of the study:

The objectives of the present study are -

1. To study the banking services availed by street vendors in Jorhat town.
2. To study the level of awareness of street vendors on banking services available to them.
3. To find out the problems faced by street vendors while going to avail any banking service.

Profile of the street vendors taken for the study

In the study it is found that the majority of sample street vendors (Represent 80%) are from local area while (Represent 20%) are migrated from other states. The study revealed that majority of sample included in the age group of 36 to 50 representing 50% of the sample. The sex composition showed that 16% were females and 84% were males. 90% of the sample street vendors are stationary in nature while 10% are mobile vendors. The items sold by vendors consist of a variety of goods. The non-perishable items include clothes, metal utensils, plastic goods, leather goods and electronics etc. The perishable goods include vegetables, fruits, flowers, fish and cooked food.

Table: 1 Profile of the respondents

Variable	groups	No of respondent	Percentage (%)to total
Status of migration	Local	40	80
	Migrated	10	20
	Total	50	100

Age	18-25 years	5	10
	26-35 years	15	30
	36-50 years	25	50
	Above 50 years	5	10
	Total	50	100
Gender	Male	42	84
	Female	8	16
	Total	50	100
Status of mobility	Mobile	5	10
	Stationery	45	90
	Total	50	100
Type of goods dealt with	Leather items	5	10
	Vegetables, flowers,	3	6
	Fish	2	4
	Fruits	8	16
	Electronics	1	2
	Household items	8	16
	Plastic, steel	2	4
	Cosmetics	2	2
	Garments	4	8
	Street food	15	30
	Total	50	100
Amount of sales per day	Below Rs. 500	40	80
	Rs. 501- Rs. 1000	10	20
	Total	50	100

Source: Primary data

FINDINGS OF THE STUDY : Findings of the study are presented in three sections below as per the objective taken .

STATUS OF BANKING SERVICES AVAILABLE BY THE STREET VENDORS:

In this segment discussion is done on the status of financial inclusion among street vendors in Jorhat town of Assam.

Saving by sample street vendors :The street vendors in the study area have eagerness to save in various schemes of banks and other financial institutions. The study revealed that 60% of the sample street vendors have the tendency of saving.

Banking services available by sample street vendors is limited and only 40% have bank accounts: When the availability of the bank account is asked to the respondent it revealed that the majority (60%) of the sample street vendors do not have a bank account only 20 of the sample respondent have bank account representing 40% of the total 50 street vendors.

Out of those 20 street vendors who have bank account , 18 persons have a saving bank account in bank.

No Loan from bank available by street vendors in the study area: Not a single street vendor have taken loan from bank. This shows that the street vendors have to rely on some other source of finance to run their business.

Low Awareness on banking services available to street vendors: Only 20% sample street vendors have awareness about banking services while 80% of sample street vendors do not have much idea about services of banks available to them.

Low frequency of visiting a bank , only 10% visit 1-20 No. of times in a month: The frequency of visiting a bank varies person to person. In the studied area the frequency of visiting a bank is found to be very less. Among the 50 respondent 8(16%) are found to visit bank in the 1-10 times a month while 2 (4%)respondent in the category of 11-20 times a month. Majority of sample street vendors are not using banking services at all. Only 10% of the sample street vendors use banking service between 1 to 20 times monthly

Not a single street vendor use banks demand draft facility: Bank demand draft is a safe and formal remittance facility. None of the sample street vendors use banks' demand draft for remittances.

None of the street vendors use of banks Net/mobile banking facility: Net banking/ mobile banking as a technology enabled service help in reducing cost and increasing convenience and accessibility. The study reveals that none of the sample street vendors use net/ mobile banking services. This shows that the service of new banking innovations are not accessed by informal sector of our economy. The reason can be attributed to the low literacy and lack of confidence.

Only 8% respondent use ATM card: 90% of the sample street vendors are far away from using ATM as they don't even have a bank account. Only 4 respondent (8%) use ATM card.

PROBLEMS FACED BY THE STREET VENDORS

Various problems were found out by different researchers regarding financial inclusion of some socio-economically backward groups in society. In this study such reasons are put to question the respondent so that they can specify their problem. The result is shown in the below table.

No proper response from banks found as a major reason for not availing loan: The majority of the sample street vendors said that their reason behind not taking loan is lack of proper response from banks. 24% of the sample street vendors stated the reason of lengthy procedure of banks while 20% said that they do not take loan due to high rate of interest and only 4% gave the reason that they do not need loan. From this study it is clear that majority of the street vendors want to take loan from banks but due to certain reasons they do not take loan.

Low Awareness on special loan for vending from bank: Majority of the sample street vendors don't know anything about loan from bank, 30% of sample street vendors said that banks do not provide special loans for their vending. It was noticed that none of the sample street vendors said that they know that banks provide special loan schemes for them. **There is low awareness on low interest loan for vending from bank**

Own saving is the major source of finance for street vendors in the study area: The study indicates that majority of the sample street vendors representing 56 % get finance from the own source while 44% of sample street vendors borrow money from money lenders. No other sources are opened for the sample street vendors.

Satisfaction of street vendors on service provided by banks is low: From this study it is found that all the 50 sample street vendors are not satisfied by the role played by banks in providing services to them. Majority of the sample street vendors insists that the banks should provide more attention to street vendors in providing services to them.

It can be summarised from the study that street vendors face a lot of problems while going to access any banking service, some of them are in lack of identity proofs, lack of financial literacy , low level of income, low level of savings habit, no proper response from banks, unable to provide security against credit, lengthy procedure of banks etc.

PROBLEMS ASSOCIATED WITH THE FINANCIAL INCLUSION OF STREET VENDORS:

From the study it is found that street vendors are far away from accessing proper banking services. They face a lot of problems while going to avail any banking services. There are many reasons which keep the street vendors away from accessing any banking service. This study found that problems are often faced by street vendors while going to access any banking service. Those are:

(a) **Lack of identity proofs-** Lack of identity documents, proof of address, tenure or legal rights over their place or business and evidence of their trades and professions creates inability of the street vendors to access the formal financial services. Banks hesitate to provide services on the ground that they unable to provide any legal and valid documents.

(b) **Lack of financial literacy**- There is a lack of financial literacy among street vendors. The street vendors are not aware about savings, credit, insurance etc. Due to lack of knowledge and awareness among street vendors about banking services available to them, they are not able to access banking services.

(c) **Lack of regular substantial income** - Most of the vendors in the study area have large families (number of dependents) to feed and save nothing or very less.

(d) **The uncertainty of income** : Frequent removal/evacuation of markets make their life more miserable because of uncertainty of income. This affects majorly to those who vend in weekly markets and removal of market for once means loss of income for the whole week. They have no security for their old age thus have to work in order to feed themselves till they die.

(e) **low level of savings habit**- Street vendors earn enough to satisfy their hunger, however, less to save anything for their future. Due to very low level of savings they stay away from opening any bank account in banks.

(e) **No proper response from banks**- Street vendors are informal in nature and because of this reason the banks do not pay required attention to street vendors. Because of certain reasons the banks heisted to provide services to street vendors. Lack of proper response from banks is one of the important reasons of street vendors not willing to access banking services.

(f) **Unable to provide security against credit**- Banks heisted to provide micro finance to the street vendors on the ground that they unable to provide security against credit. Street vendors earn to satisfy their hunger, they do not have any valuable property to provide security against credit. Street vendors are very poor section of our society, they often fail to provide the required security against loan.

(g) **Lengthy procedure of banks**- Most of the vendors said that the longer number of hours they worked would in turn mean more income. It is found that in most cases, vendors work more between eight to twelve hours a day. This does not include another important aspect, namely cleaning of goods before displaying them up for sale. In the case of vegetables, this exercise is extremely important as very few clients would prefer to buy unwashed vegetables. Hence, the number of working hours increases because the cleaning time ranges from one to four hours a day. As they have to spend much time in vending to earn to satisfy their hunger, they stay away from accessing banking services due to lengthy procedure of banks.

(h) **Lack of special financing schemes of banks for street vendors**-

Banks do not provide any special schemes for street vendors. Most of the street vendors do not want to take any bank loan because high rate of interest charged on loans. Banks provides many beneficial financing schemes to the formal sector business houses but the street vendors being informal in nature faces a great deal of problems in case of beneficial loan schemes.

(i) **Easy accessibility of private money lenders** is another factor that may lead them to ignore the importance of formal financial system.

CONCLUSION:

The common problem of inaccessibility of financial services in formal institution are replicated in case of street vendors of Jorhat town. The lack of proper identity proof, financial illiteracy, lack of awareness about benefits of formal financial services, insufficiency of income to save are the reason that hinder the street vendors to visit a bank when there is need. Moneylenders as a second preferred source of capital for the street vendors have much chance to exploit them as the rate of interest may be too high to complete repay. Moreover irresponsible and unsympathetic behaviour towards street vendors increase their hesitation to visit such financial institution.

There are entrepreneurial spirit in the minds of some street vendors but because of the lack of capital they are not able to expand their business. Bank as a part of social banking can take the initiative to survey the credit needs of street vendors and accordingly provide for expanding their business .

Like the SHG-bank linkage programme bank can take initiative for allotting small and short term credits for working capital requirements, purchasing the Pushcart, purchasing the goods through street vendors organised group. Banks need to organise frequent camp and campaign for awareness about the financial services and benefits. To sum up there is an urgent needs to address the problems of street vendors regarding accessibility of banking services.

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