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MARGINALISED STREET VENDORS AND FINANCIAL INCLUSION LEVELS

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Abstract: *With reference to India, the retail sector is the second-fastest-growing sector in terms of employment after agriculture. However, besides organised retail chains, street vending has proved to be one of the simplest ways for the working poor to survive and is common in the urban informal sector.*

Research had been conducted to study the nature and extent of financial inclusion among street vendors, as well as the causes of their financial exclusion. 250 street vendors from Bareilly were selected for data collection. A structured questionnaire and personal interview techniques were used to collect the desired data.

This study showed that the street vendors depend mainly on informal sources of finance for their economic activity as well as for their personal and emergency needs. Factors such as levels of education, type of business, and economic status (annual income) have shown a significant association with the levels of financial inclusion, whereas age group and type of business fail to establish an association with the levels of financial inclusion.

Keywords: financial inclusion, financial well-being, informal finance.

Introduction

According to Amartya Sen (1999), development entails improving people's ability to choose among available alternatives. Development must involve everyone. True development would not happen if one section of society were omitted. People's participation in the development process and inclusion in it must not be motivated by charity; it is their right to do so. Sen emphasises that people must have the required capability to reap the benefits of development, and this could be only possible through empowerment. It has been suggested that one approach to improving people's capability is through financial inclusion. Access to money is a crucial macroeconomic condition for economic growth as it encourages increased investment and income, gives households more power, and helps them to overcome from poverty (Solo, 2008). Therefore, financial inclusion has been acknowledged as an important tool for reducing vulnerability and poverty by integrating people from all socioeconomic backgrounds into the formal banking system. Financial inclusion will increase investment potential, encourage saving, and foster entrepreneurship, all of which will result in higher wages and, ultimately, a better standard of living (Chakrabarty, 2009). Making financial services available to the poor, providing them with credit options that meet their requirements and creating chances for them to work for themselves is known as financial inclusion. According to empirical data, countries with a sizable section of their population excluded from mainstream banking have greater rates of poverty and inequality (Thorat, 2008). Financial inclusion enables low-income families to have access to financial services such as insurance, credit, and savings. These financial services can be utilised to get access to essentials to raise one's standard of living, such as education, healthcare, and other necessities. Small and microbusinesses that have access to financial services have the chance to employ credit and savings to fund profitable investments. This encourages financial independence, which in turn promotes economic progress (Sarath Chandra and Manju, 2010). Improved financial services boost growth as well as helps in reducing poverty and income inequality (Beck et al., 2009). Financial inclusion has been identified as a key indicator of the expansion of the financial sector, not only in India but around the world. Recognizing the importance of financial empowerment, the United Kingdom established a financial inclusion fund to promote financial inclusion and asked banks and other financial institutions to work toward eliminating financial exclusion (Leeladhar, 2006). Governments and central banks in emerging economies, including India, have made financial inclusion a policy agenda. Additionally, it has drawn the attention of socioeconomists, policymakers, and researchers worldwide (Srinivasan, 2007; Allen et al., 2012; Gupte et al., 2012; Amidzic et al., 2014; Camara and Tuesta, 2014). A sound financial system act as important tool for providing a wide range of banking services, such as credit, payments, savings, and insurance products, to a sizable portion of the population (Demirguc-Kuntand Klapper, 2013). The World Bank declared financial inclusion to be one of the primary goals for achieving Universal financial access by 2020 (Camara and Tuesta, 2014). In order to achieve this goal, the Government of India (GoI) launched a national level financial inclusion programme known as the "Pradhan Mantri Jan Dhan Yojana (PMJDY)" in 2016 (Nandru and Rentala, 2019). Bhowmik and Saha (2011) explored the difficulties faced by street vendors in obtaining credit from formal banking and financial institutions in 15 cities across India. The research showed that self-help groups and microfinance institutions played an important role in meeting the credit requirements of street vendors. However, despite the fact that there is no requirement for collateral and the interest rate is extremely high, the majority of respondents still turn to informal sources of credit like money lenders. Bhowmik and Saha (2013) found the credit sources that were used to run and expand street vendors' businesses. Due to a lack of formal institutional credit, they discovered that most vendors obtain necessary credit from informal sources such as moneylenders, wholesalers, friends, and relatives. Bruntha and Indirapriyadharshini (2015) investigated the income levels and banking habits of Tamil Nadu street vendors. The results indicate that street vendors' participation in financial inclusion has a significant impact on inclusive growth. Irankunda and Van Bergeijk (2020) investigated the regional and demographic factors that influence street sellers' financial inclusion in Uganda, an emerging country. The study showed that the street sellers' access to financial institutions was highly influenced by their education level, gender, and place of residence. Ramana and Muduli (2018) investigated street vendors' financial capability along four dimensions: financial management, planning, product management, and knowledge. Age, education, business experience, and daily turnover were found to have a significant impact on the financial capability of street vendors. Siwela and Njaya (2018) conducted research on the financial inclusion challenges faced by female street vendors in three different regions: Asia, Latin America, and Sub-Saharan Africa. According to the study, the majority of street vendors are still excluded from the mainstream banking due to the poor financial literacy. The existing literature on financial inclusion has primarily focused on issues and problems related to rural finances. The financial issues and problems of the urban poor have not been adequately addressed. The most marginalised segments of the urban poor are identified as street vendors. According to statistics, there are approximately 5–6 million street vendors in India. In order to empower street vendors, the government of India recently introduced a special scheme called PM Street Vendor's AtmaNirbhar Nidhi (PM SVANidhi), which provides microcredit facilities. The scheme aims to provide loans to street vendors for their overall development and economic empowerment. The scheme intends to provide collateral-free working capital loans amounting up to INR 10,000 for a one-year period to nearly 50 lakh street vendors in order to help them restart their businesses in urban areas and surrounding peri-urban and rural areas. As of March 5, 2021, nearly 3.9 million applications had been received under this scheme, of which nearly 2.2 million had been sanctioned and nearly 1.7 million loans had already been disbursed (https://pmsvanidhi.mohua.gov.in/).

Research objectives and Research Methodology

Following a careful review of previous studies in the field of financial inclusion in the Indian context, it was found that the majority of the studies focused on the dimensions for the formulation of a multi-dimensional index of financial inclusion based on accessibility, availability, and use of banking services and paid little attention to studying the role of financial inclusion in achieving financial well-being in general and from the perspective of street vendors in particular. As a result, the current study seeks to understand the nature and extent of financial exclusion among street vendors while also studying the causes of their financial exclusion. The current study includes 250 street vendors for the purpose of gathering data who obtain credit for their daily transactions from formal, institutional, and/or informal sources in Bareilly City, Uttar Pradesh, India. This study included both mobile and stationary vendors. The study used both primary and secondary data sources for data collection. In order to investigate their current financial accessibility situation, the primary data sources, namely street vendors, were intensively interviewed using open-ended questionnaires. For data collection purposes, a field survey was carried out between September 1 and October 31, 2022. Secondary data sources, including reports on the state's urban poverty alleviation, state human development reports, and other sources, were used. All 250 participants in the sample were examined using descriptive statistics. The current trend of street vendors in terms of their financial accessibility was investigated using quantitative data. In addition to quantitative data, qualitative data was also collected through in-depth interviews and field observations for the preparation of case studies on street vendors. The quantitative data was analysed using SPSS-21, while the qualitative data was analysed using field notes and the researchers' observations.

Research Findings

In order to study the degree of financial inclusion amongst the street vendors , street vendors were asked whether they availed or using the products and services offered by mainstream banking and each products and services were given a score as mentioned in Table 1.

Table 1: Score board of financial services availed by street vendor

S.No	Indicators of Financial Inclusion	Score
1	Borrowed Loan from financial institutions for Business purpose/Having Current account	16
2	Loans taken for other consumption purpose from bank like car loan, house loan, education loan, etc.	14
3	Receiving Pension / Having a pension account	12
4	Having Insurance like life insurance and health insurance, etc.	10
5	Regular Savings at bank	8
6	Use of Banking Services (ATM, Digital, Mobile Banking, etc.)	6
7	Received Government Benefits (Direct Benefit Transfer)	4
8	Have a Bank Account	2
9	No Bank Account	0

After assigning scores to each respondent for each of these activities, the sum of the scores is calculated, and a street vendor is classified as:

• Highly included if the total score obtained are above 56
• Moderately included if the total score obtained belongs to 36-56
• Marginally included if the total score obtained belongs to 2-36
• Fully excluded when the total score is zero.

Table 2: Classification of Financial Inclusion levels

Financial Inclusion Score	Levels of Financial Exclusion	Frequency	Percentage
Above 56	Highly included	0	0
36-56	Moderately Included	9	3.6
2-36	Marginally Included	168	67.2
0	Fully excluded	73	29.2
	Total	**250**	**100**

From Table 2, we can see that approximately 29.2% of the population belongs to the category of "fully excluded," which means they are not connected to or availing of any kind of banking or financial services provided by mainstream banking. 67.2% of the street vendors belong to the category of "marginally included," which means that they are connected to mainstream banking but are not able to use all kinds of financial products and services provided by mainstream banking. Approx. 3.6% of the street vendors belong to the category of "moderately included," which means that they started investing in or using financial products that help them achieve financial well-being. Not a single street vendor belongs to the category of "highly included," which signifies that despite having access to mainstream banking, they are not able to get its full benefits.

Statistical tests have been conducted to study the factors that are associated with the levels of financial inclusion. From Table 3, we can conclude that factors such as levels of education, type of business, and economic status (annual income) have shown a significant association with the levels of financial inclusion, whereas age group and type of business fail to establish an association with the levels of financial inclusion.

Table 3: Association between levels of financial inclusion and education, type of business, age group, annual income and shelter of business.

Hypothesis	Pearson chi-square value	Asymptotic significance	Result
H1: There is no association between levels of education and level of financial inclusion.	29.9	0.0002	Reject the null hypothesis.
H2: There is no association between type of business and level of financial inclusion.	23.06	0.038	Reject the null hypothesis.
H3: There is no association between annual income and level of financial inclusion.	29.06	0.004	Reject the null hypothesis.
H4: There is no association between age group and level of financial inclusion.	5.87	0.656	Fail to reject the null hypothesis.
H5: There is no association between type of shelter of business and level of financial inclusion.	4.55	0.224	Fail to reject the null hypothesis.

After reviewing the entire dataset, we can conclude that there is either voluntary or involuntary financial exclusion. A variety of factors, both on the demand and supply sides, have an impact on the levels of financial inclusion, both directly and indirectly. To investigate the factors that cause street vendors to avoid using banking services, particularly those who already had a bank account. Table 4 shows that the first and most important reason is excessive documentation and file work; street vendors are unable to participate in mainstream banking due to low levels of education and a lack of adequate papers. To manage their working capital, street vendors typically require a small amount of money at regular intervals. But the time-consuming process and lack of tailored financial products forced them to rely on informal banking. Street vendors who were approached by banks or financial institutions to meet their financial needs but declined due to the poor attitude of bank employees toward them forced them not to seek assistance from mainstream banking. Due to poor awareness regarding financial products, street vendors were not benefiting from mainstream banking.

Table 4: Reasons for not using banking /financial services

Reasons for not using banking/financial services	Response (%)
Too much documentation	93
Time taking process	85
Lack of customized products	78
Bank employee behaviour and attitude	76
Lack of awareness regarding financial products	73

Conclusion

In a system that is financially inclusive, all sections of society have an equal chance to participate and benefit from it.To make the financial system more inclusive, particularly for marginalised groups, it should focus on financial literacy and financial education, as well as customised and tailored financial products. Financial inclusion should be limited to opening a bank account. Merely opening a bank account will not solve the problem of financially excluded people, especially marginalised, vulnerable, and disadvantaged sections of society. Government and NGOs will play a very vital role in making financial system more inclusive. They both can play a role in connecting the marginalised sections of the society with the mainstream banking. Government must ensure that Street Vendors Act 2014 should provide the rights and opportunity to earn their livelihood. Proper training on business operations and skill enhancement can be provided to street vendors, which will directly and indirectly help in achieving the financial well-being of the households. Regular training sessions and workshops on enhancing financial literacy will surely help street vendors choose the appropriate financial products and services for improving their financial well-being. Banking models based on microfinance institutions (MFI) and cooperative banking can surely help them improve the usage of financial products.

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