



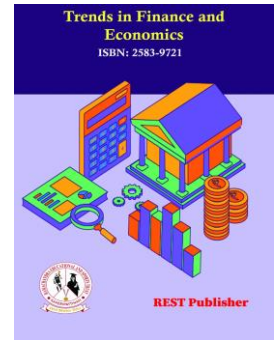
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## Financial Literacy of Street Vendors

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**Abstract:** Street vendors form a sector in the unorganized market of India. The advent of online payment, through platforms such as Paytm, PhonePe and Google Pay has helped them in understanding online finance, and assisted their business; however, there are milestones yet to be made in enhancing their financial literacy overall. As a part of this paper, we conducted a survey, not of the vendors themselves, but of certain members of the general public within our contact. It is known that the vendors lack a certain standard of living, and the survey was conducted in the direction of the public. We found that 58.3% of the respondents thought that the vendors contributed to the cultural vibrancy of the community, and that 75% of them thought that literacy was necessary. Despite this, 75% of them believed that the lack of education was the biggest barrier in financial literacy. It is our hope that this barrier ceases to exist for the vendors.

**Keywords:** Financial Literacy, Street Vendors, Informal Economy, Financial Education, Socio-Economic Factors, Financial inclusion, Empowerment

### 1. INTRODUCTION

Financial literacy refers to an individual's understanding and ability to manage various financial aspects, including budgeting, saving, investing, borrowing, and comprehending financial products like loans and insurance. It's crucial for making informed financial decisions, planning for the future, and protecting oneself from financial risks. Enhancing financial literacy is a global priority, with initiatives such as financial education programs and online resources aimed at empowering people to navigate complex financial systems. Ultimately, improving financial literacy promotes financial inclusion, reduces poverty, and contributes to economic stability and growth.

Financial literacy refers to the knowledge and skills individuals have about managing their finances effectively. It includes understanding concepts such as budgeting, saving, investing, borrowing, and comprehending financial products like loans and insurance. Essentially, it's about being able to make informed decisions about money matters. In today's world, where personal finance is increasingly complex, financial literacy is more important than ever. With the rise of individual retirement accounts and the availability of numerous financial products and services, individuals need to have a solid understanding of how these things work to make the best decisions for their financial well-being.

**Background of Study:** The background of studying the financial literacy of street vendors in India stems from the significant role street vending plays in the country's informal economy. Street vending is a widespread form of self-employment, providing livelihoods to millions of people, particularly in urban areas. These vendors sell a diverse range of goods and services, contributing to the accessibility and affordability of goods for consumers.

Understanding the financial literacy of street vendors is crucial for several reasons. Firstly, it can shed light on the financial challenges they face and the extent to which they are equipped to make informed financial decisions. Secondly, improving the financial literacy of street vendors can empower them to better manage their finances, save for emergencies, and invest in their businesses or their families' well-being. This, in turn, can contribute to poverty alleviation and economic empowerment at the grassroots level.

Street vending is a significant informal sector in India, contributing significantly to urban economies and providing employment opportunities, particularly for the economically marginalized sections of society. According to the National Policy on Urban Street Vendors, 2014, there are over 10 million street vendors in India. Despite their economic contribution, street vendors face numerous challenges, including financial management.

**Objectives:** Through this paper, we aim to:

1. Identify the level of awareness of the general public regarding the education levels of street vendors through a survey
2. Recognize the determinants that adversely affect the street vendor's chances of becoming financially literate

**Need for the study:**

### 1. Economic Understanding

Street vending is a significant aspect of India's informal economy, contributing substantially to urban livelihoods. Examining the financial literacy of street vendors provides insights into their economic activities, income generation, and financial decision-making processes.

### 2. Vulnerability Assessment

Street vendors often operate in precarious conditions with irregular incomes and limited access to financial services. Understanding their financial literacy levels helps identify the extent of their vulnerability to financial risks and emergencies.

### 3. Empowerment and Inclusion

Improving the financial literacy of street vendors can empower them to manage their finances more effectively. It enhances their ability to save, invest, and plan for the future, thereby promoting their economic inclusion and empowerment.

### 4. Policy Formulation

Policymakers require data on the financial literacy of street vendors to design targeted policies and interventions. Such policies can address the specific needs of street vendors, including access to financial education programs and affordable financial services.

### 5. Socio-Economic Impact

Strengthening the financial literacy of street vendors can have positive socio-economic outcomes. It can lead to increased economic activity, job creation, and community development, contributing to local and national economies.

**Problem Statement:** The street vendors in India are not financially literate, which leads to lower income and technological incapability for the vendors, and an economic disadvantage for the nation.

## 2. REVIEW OF LITERATURE

This article, done by *Singla, A., & Mallik, G.*, studies the impact of financial literacy in Small and Micro Enterprises (SMEs) in the state of Punjab. The conclusion of this study was that the government and enterprises should allot a portion of their funds for financial education, as this was showing an improvement in gross profit ratios. We are taking this research into consideration because it provides us with an excellent source of secondary data. This is in line with our hypothesis that financial literacy and financial success are directly proportional.

During COVID-19, the lockdown impacted the street vendors financially. Through the study of *Vijayabhaskar, Nagaradona, and G. Arun Kumar*, the effect of the Pradhan Mantri Jan Dhan Yojana (PMJDY) on financial protection and stability is researched. For street vendors, when street sales are the primary source of income and livelihood, the lack of public interaction can affect the very core of the business.

Through this next research paper by *Rizwana, M., Singh, P., & Raveendra, P. V.*, it is shown that digital wallets and apps in general have been of benefit to street vendors. According to us, this has been through initiatives like the sound box of Paytm, which caters to India's illiterate businesspeople. This research can help us solidify that education in this matter is of utmost importance.

Another study goes into the specifics of a district in Mizoram. Through primary research, *Lalenkawli, H., & Singh, B.* find that financial literacy and related decisions would directly affect financial inclusion, and would hence impact our economy. Street vendors often face difficulties in accessing formal financial services, such as savings accounts, credit facilities, or insurance products. Financial institutions may be reluctant to serve street vendors due to their informal status, lack of collateral, or perceived credit risk. As a result, street vendors may resort to informal or exploitative financial services, which can exacerbate their financial vulnerability and perpetuate cycles of poverty. The majority of the vendors in the district had a level of literacy, which is what we aim to reach in our area of reach as well.

When we conduct research, we can consider taking the reasons behind a certain level of education into account. The following study, done by *Ramana, D. V., & Muduli, S.*, concentrates on Bhubaneswar, India. It examines the factors that influence literacy among vendors. These factors can include education, turnover and age. This paper looked at literacy as a concept as well, except here, it specifically concentrated on business literacy.

The informal nature of street vending poses unique challenges for financial management. Street vendors often operate without formal contracts, legal protections, or access to social security benefits, leaving them vulnerable to exploitation, harassment, and arbitrary evictions. This lack of legal recognition and protection further marginalizes street vendors and limits their access to formal financial services and resources. Here, we took an international perspective, and hence we took a paper from the Philippines. Through factors such as market and financial literacy, *Abes, L. B.* was able to understand the current level of literacy, and understand what the gaps were.

Street vendors, whether in India or abroad, typically have limited access to formal financial education due to various socio-economic factors such as low levels of education, limited resources. Without adequate financial education, street vendors may struggle to understand basic financial concepts, such as budgeting, saving, and managing debt, which are essential for making informed financial decisions. We can use this as exposure to realize ways to better help India's vendors. Taking a gender-specific approach can be required, and in this case, as shown by *Kumar, N.*, it is of necessity. With research done in Ranchi, Jharkhand, this study aims to understand the problems faced by women in being vendors.

The factors, such as safer working environments and inclusion can be taken as factors in our own research that involves women. Through the following research by *Mathews, F., & Bhosale, A.*, one can understand that digital literacy can be beneficial for the vendors, given the rise of online payments in India in the last 5 years. In our own paper, we can try to inculcate ways to educate vendors in a way that is feasible and manageable.

### 3. SUMMARY OF REVIEW

In summarizing the literature on financial literacy among street vendors in India, it becomes evident that this population faces significant challenges in managing their finances effectively. The existing body of research consistently highlights the prevalence of low levels of financial literacy among street vendors, attributing this to various factors such as limited access to formal education, the informal nature of their work, and socio-economic disparities.

Studies have employed diverse methodologies, including surveys, interviews, and qualitative analyses, to explore the financial literacy levels of street vendors. Across these studies, common themes emerge, emphasizing the struggles of street vendors in understanding basic financial concepts like budgeting, saving, and interest rates. This lack of financial literacy poses significant barriers to their economic well-being and limits their ability to make informed financial decisions.

Furthermore, socio-economic factors play a crucial role in shaping the financial literacy of street vendors. Older vendors and those with lower levels of education often exhibit poorer financial literacy skills, highlighting the importance of addressing educational disparities in financial literacy interventions. Additionally, street vendors from lower-income households may face greater challenges in accessing formal financial services, further exacerbating their financial vulnerability.

While some studies have explored the effectiveness of financial literacy interventions targeted at street vendors, there remains a need for further research in this area. While these interventions have shown promising results in improving financial capabilities, questions remain regarding their long-term impact and scalability. Additionally, more comprehensive studies are needed to understand the intersectionality of financial literacy with other socio-economic factors, such as gender, ethnicity, and geographic location.

In summary, the literature underscores the urgency of addressing the financial literacy gap among street vendors in India. By equipping street vendors with the knowledge and skills to manage their finances effectively, India can promote economic inclusion and empower this vulnerable population. However, further research is needed to develop targeted interventions that address the multifaceted challenges faced by street vendors and ensure their long-term financial well-being.

#### 4. RESEARCH GAP

Despite the existing body of literature, several gaps remain in our understanding of financial literacy among street vendors in India. Firstly, there is a need for more comprehensive studies that examine the socio-economic determinants of financial literacy among street vendors, including factors such as gender, ethnicity, and geographic location. Additionally, further research is needed to assess the long-term impact of financial literacy interventions and their scalability in different contexts.

Moreover, there is limited research on the intersectionality of financial literacy with other socio-economic factors, such as access to healthcare, housing, and education, among street vendors. Understanding these interconnections is crucial for developing holistic interventions that address the multiple dimensions of poverty and inequality faced by street vendors.

Lastly, there is a need for more qualitative research that explores the lived experiences and perspectives of street vendors regarding financial literacy and its implications. Qualitative insights can provide valuable context and nuance to quantitative findings, helping researchers and policymakers develop more targeted and culturally sensitive interventions. In conclusion, addressing these research gaps is essential for advancing our understanding of financial literacy among street vendors in India and developing effective interventions that promote their economic inclusion and empowerment.

#### 5. RESEARCH METHODOLOGY

We used two methods of data collection for our research:

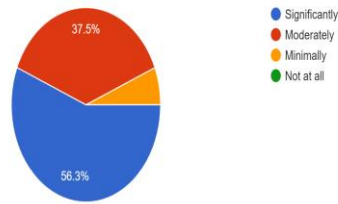
1. **Primary research:** We conducted research through a Google form. Through a sample size of 16 members of the general population, and through other sources, we collected answers to the following questions:
  - How often street vendors are encountered
  - The significance of their jobs in the Indian economy
  - Regulation of street vendors
  - The vitality of literacy and education for the vendors
  - Awareness of the policies supporting vendors
  - Awareness of community-led efforts
2. **Secondary sources of information:** We were able to access research papers and studies on the current state of literacy in cities in India. This helps to gain a wider understanding and perspective on one's own research.

#### 6. SUMMARY OF FINDINGS AND SUGGESTIONS

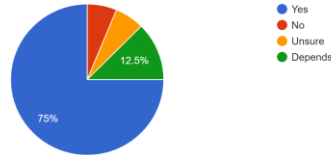
In a data size of 16 people, we found the following:

We found that 58.3% of the respondents thought that the vendors contributed to the cultural vibrancy of the community, and that 75% of them thought that literacy was necessary. Despite this, 75% of them believed that the lack of education was the biggest barrier in financial literacy.

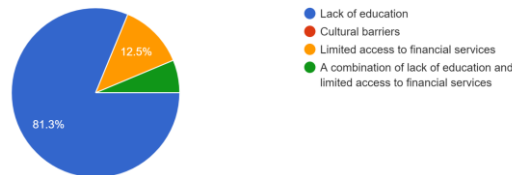
How do street vendors contribute to the cultural vibrancy of your community?  
16 responses



Do you think literacy and education are essential for street vendors?  
16 responses



In your opinion, what are the biggest barriers for street vendors to become financially literate?  
16 responses



These are the conclusions made:

The street vendors are encountered frequently in most of the places across the country. The biggest barriers of street vendors are lack of education, limited access to financial resources and cultural barriers. And also the street vendors' contribution to the cultural vibrancy of a particular community is moderate. As through the study we have understood that street vendors are required to be educated and should be able to read and write. There should be campaigns held for the street vendors on their education, literacy and also about finance which is required for their business and also for their business improvement.

Certain prudent suggestions are as follows:

1. Develop and implement targeted financial education programs specifically designed for street vendors. These programs should be culturally sensitive, language-appropriate, and address the unique financial challenges faced by street vendors, such as irregular income streams and limited access to formal financial services.
2. Partner with local organizations, community groups, or non-profit organizations already working with street vendors to deliver financial literacy training. These organizations often have existing networks and trust within the community, making it easier to reach and engage street vendors.
3. Utilize mobile technology and digital platforms to deliver financial education and tools to street vendors. Mobile apps, SMS-based programs, and interactive voice response (IVR) systems can provide convenient and accessible ways for street vendors to access financial information and resources.
4. Facilitate peer learning and support networks among street vendors where they can share experiences, knowledge, and best practices related to financial management. Peer-based approaches can be effective in promoting behavior change and fostering a sense of community among street vendors.

5. Advocate for the integration of financial literacy components into existing government initiatives targeting street vendors, such as skill development programs or microfinance schemes. This can ensure sustainability and scalability of financial education efforts.

6. Raise awareness among street vendors about the benefits of formal financial services, such as savings accounts, microcredit, and insurance products. Provide information on how to access these services and address barriers such as documentation requirements or language barriers.

7. Offer practical training sessions on basic financial skills such as budgeting, saving, and managing cash flow. Use real-life scenarios and hands-on exercises to enhance learning and application of financial concepts.

8. Establish mechanisms for regular follow-up and monitoring to track the impact of financial literacy interventions on street vendors' behavior and financial well-being. Collect feedback from participants to continuously improve program effectiveness and relevance.

9. Advocate for policy changes that support the financial inclusion of street vendors, such as improving access to formal financial services, reducing regulatory barriers, and promoting financial consumer protection.

10. Forge partnerships with banks, microfinance institutions, and other financial service providers to develop products and services tailored to the needs of street vendors. Offer incentives or subsidies to encourage financial institutions to reach out to this underserved segment of the population.

## **7. DATA ANALYSIS AND INTERPRETATION**

The data analysis highlights significant barriers that the street vendors encounter, including limited education, restricted access to financial resources, and cultural obstacles. These challenges hinder their ability to engage with formal financial services effectively, contributing to their financial vulnerability. While street vendors do contribute to the cultural vibrancy of communities to some extent, their full potential remains untapped due to these barriers.

Encouraging education and literacy among street vendors emerges as a crucial factor in addressing these challenges, with campaigns and initiatives aimed at promoting education and awareness proving essential. Moreover, the findings suggest varying levels of awareness among the general public regarding policies supporting their rights and community-led efforts. Strengthening awareness and advocacy efforts could empower street vendors to advocate for their rights and access available resources and support. Overall, the analysis underscores the urgent need to bridge the financial literacy gap among street vendors, as it is vital for promoting their economic inclusion and empowerment, ultimately contributing to sustainable urban development.

## **8. LIMITATIONS OF RESEARCH**

When conducting research on financial literacy among Indian street vendors solely through surveys, there are certain limitations to consider:

This survey may not reach all segments of the general population, leading to sampling bias. For instance, people who are more financially literate or those with more access to resources may be more likely to respond to surveys, skewing the results. These people also may not have accurate knowledge of the literacy levels of vendors. Moreover, surveys often provide quantitative data but may lack the depth needed to fully understand the nuances of financial literacy among street vendors. Important contextual factors, such as cultural norms, language barriers, or informal financial practices, may not be adequately captured through surveys alone.

Surveys developed in one cultural context may not be culturally appropriate or relevant for another. This can impact the validity and reliability of the survey results, especially if the survey questions do not resonate with the experiences and perspectives of Indian street vendors. Street vendors have been known to rely on informal financial mechanisms, such as rotating savings and credit associations or borrowing from informal moneylenders. These practices may not be easily captured through surveys, leading to an incomplete understanding of the financial behaviors of street vendors. This is primarily due to the fact that this survey wasn't meant for vendors.

## **9. SUMMARY OF RESEARCH**

After looking through sources of information, and doing our own research, it is evident that access to education is of vital importance for the street vendors, and in specific, financial literacy. Armed with this knowledge, they

can manage and grow their businesses accordingly. This is a task that will take time, but can ensure growth in the national literacy rates, and an overall economic boost.

## 10. CONCLUSION

Financial literacy directly impacts the productivity of the vendors. Through our research, we found that financial literacy has a great impact on the accessibility and usage of various financial products. This further makes the street vendors financially capable to handle their finances, making financial decisions on their own.

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