India Studies in Business and Economics

Sharit K. Bhowmik
Debdulal Saha

Financial Inclusion of the Marginalised

Street Vendors in the Urban Economy

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Foreword

Empowered lives.
Resilient nations.

The aim of this important study is to systematically analyze the reasons why the ten million street vendors in India struggle to access financial services. Although street vending contributes significantly to the local economies and provides income for some of the country's poorest households, vendors are routinely harassed by police, civic authorities and local leaders and are unable to secure support from credible non-exploitative financial institutions.

The study, which was led by Dr. Sharit Bhowmik from the Tata Institute of Social Science (TISS) Mumbai, analyzes the impact of the National Policy for Street Vendors. Based on intensive interactions with street vendors and their associations, banks, microfinance institutions, civic authorities and trade unions, the study recommends specific steps to improve financial inclusion including collateral-free loan products, innovative guarantee mechanisms and adjustments to the loan approval process to make it less cumbersome. The study also recommends that microfinance institutions design and offer flexible and reasonably-priced products and that civic authorities expedite the process providing concrete proof of vending location which can effectively substitute for the collateral security demanded by banks.

The study is being released at an opportune time. The Ministry of Housing and Urban Poverty Alleviation (MoHUPA) is preparing to launch the National Urban Livelihoods Mission across the country and the landmark Street Vendors Bill, which is currently being examined by the Parliamentary Standing Committee on Urban Development, aims to prevent harassment of vendors who are acting in accordance with the terms and conditions of their vending certificate. There is every expectation that conditions for some of the most vulnerable workers in the informal sector will improve, hopefully rapidly, as a result of the new flagship mission and the new bill.

The United Nations Development Programme (UNDP) is committed to working with government officials, civil society groups and the private sector to help find concrete ways of increasing the financial inclusion of persistently excluded groups through the affordable delivery of a range of financial products and services including micro insurance, micro savings, micro pensions and remittances. Our hope is that this study will provide solid evidence for how best to increase financial inclusion for India's street vendors.

Lise Grande
UN Resident Coordinator and United Nations Development Programme (UNDP) Resident Representative UNDP
New Delhi, India

Acknowledgements

This book is an outcome of a study undertaken by Centre for Labour Studies, Tata Institute of Social Sciences (TISS), Mumbai, in collaboration with United Nations Development Programme (UNDP), New Delhi, and Ministry of Housing and Urban Poverty Alleviation (MoHUPA). The idea took shape in a meeting with Arbind Singh of National Association of Street Vendors in India (NASVI), Ratnesh, who had recently joined UNDP, Delhi, and I sometime in October 2010 in Ratnesh's office. We discussed about problems street vendors faced because of lack of credit from institutional sources. Most of them were indebted to moneylenders or other loan sharks who charged very high rates of interest. The street vendor was bogged down with the interests and could never get out of indebtedness. Ratnesh suggested that we could collaborate on a study on financial inclusion. The idea for this project was born then. We prepared a proposal and UNDP readily agreed to finance the study. Later I mentioned this to P.K. Mohanti who was Additional Secretary, Ministry of Housing and Urban Poverty Alleviation (MoHUPA), and Mission Director of Jawaharlal Nehru National Urban Renewal Mission (JNNURM) and he ensured that his ministry would give us all support. In fact the initial meeting with UNDP, NASVI and the senior officials in the nationalised banks took place in his office. The final workshop, where we discussed the findings with the bankers, microfinance institutions (MFI), street vendors' unions and NGOs, was held in Mumbai at TISS but was supported by the ministry. Hence, our sincere thanks go to Mr. Ratnesh and Ms. Prema Gera, Assistant Country Head and chief of the Poverty Unit of UNDP, Mr. Arbind Singh of NASVI and Mr. P.K. Mohanti of Ministry of HUPA. Our thanks to Dr. Sneha Palnitkar, Director of Regional Centre for Urban and Environmental Studies (of MoHUPA), who helped in organising the final workshop at TISS.

There are numerous organisations and individuals who have helped in carrying out this study in a very co-ordinated manner right from the inception to the execution to final findings. However, it is not possible to mention each individual's name and organisation. We would take an opportunity to thank few of them for their due cooperation and support.

One of the major objectives of this study is to highlight the role of formal financial institutions towards operationalising the concept of financial inclusion. Resource persons from banks and MFIs have particularly helped a lot in providing key information pertaining to the type of financial inclusion plans they have in their respective organisations in the selected study locations. Therefore, we would sincerely thank concerned Branch Managers of the State Bank of India (SBI), Canara Bank, Punjab National Bank (PNB) and Indian Bank. We must also thank CEOs of 13 MFIs—SKS Microfinance Ltd. (SKSMPL), Bhartiya Samruddhi Finance Limited (BSFL), Ujjivan Financial Services Pvt. Ltd. (UFSPL), Asmitha Microfinance Ltd. (AML), Bandhan Financial Services Pvt. Ltd. (BFSPL), Spandana Sphoorty Financial Ltd. (SSFL), Vedika Credit Capital Limited, Arohan Financial Services Ltd. (AFSL), Asomi Sahayata Microfinance, Nightingale Charitable Trust, Sijah Finance and Adhikar in 15 cities. We would extend our special thanks to Mr. Jayant Kumar Sinha, DGM, State Bank of India (SBI), Mumbai; Mr. Brajesh Verma, DGM, State Bank of India (SBI), Outreach, New Delhi; Ms. Archana Bhargava, Executive Director, Canara Bank; and Ms. Shashikala Menon, Branch Manager, Microfinance Branch, Canara Bank, Bengaluru, for their cooperation throughout the fieldwork.

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Last but not the least, we would thank all the street vendors in 15 cities who have sincerely and dedicatedly participated in the research and provided all information and have taken time off from their busy lives to cooperate with the research assistants. We hope that this study will make an impact at the policy level that ultimately can help them.

We apologise to all the people whose names we have not been able to mention, but their efforts are not least recognised by us. We express regret over any mistakes that may have been made unintentionally in the book and would like to claim those mistakes to be solely ours.

Sharit K. Bhowmik
Debdulal Saha

Contents

Abbreviations

AAY	Antyodaya Anna Yojana
ACTS	Agriculture Consultancy and Technical Services
AFSL	Arohan Financial Services Limited
Ag BDS	Agriculture Business Development Services
AGM	Assistant General Manager
AKMI	Association of Karnataka Microfinance Institution
AMA	Ahmedabad Management Association
AMC	Ahmedabad Municipal Corporation
AML	Asmitha Microfinance Limited
ATIRA	Ahmedabad Textile Industries Research Association
ATM	Automated Teller Machine
BASIX	Bhartiya Samruddhi Investments and Consulting Services Limited
BBMP	Bruhat Bengaluru Mahanagara Palike
BC	Business Correspondent
BF	Business Facilitator
BFSPL	Bandhan Financial Services Private Limited
BMP	Bengaluru Mahanagara Palike
BPL	Below Poverty Line
BPLR	Benchmark Prime Lending Rate
BPO	Business Process Outsourcing
BSFL	Bhartiya Samruddhi Finance Limited
CEO	Chief Executive Officer
CEPT	Centre for Environment Planning and Technology
CGAP	Consultative Group to Assist the Poor
CGFSI	Credit Guarantee Fund Scheme for Small Industries
CITU	Centre of Indian Trade Unions
CMIE	Centre for Monitoring Indian Economy
CO	Circle Office
CSR	Customer Sales Representative
DCB	Development Credit Bank
DRI	Differential Rate of Interest

DWCUA	Development of Women and Children in Urban Areas
EMI	Equated Monthly Instalments
EWI	Equated Weekly Instalments
FCNR	Foreign Currency Non Resident
FGD	Focus Group Discussion
FINS	Financial Inclusion Services
FMCG	Fast Moving Consumer Goods
FWWB	Friends of Women's World Banking
GCC	General Credit Cards
GDP	Gross Domestic Product
GMC	Guwahati Municipal Corporation
GOI	Government of India
HDFC	Housing Development Finance Corporation
HO	Head Office
HSBC	Hong Kong Shanghai Banking Corporation
ICICI	Industrial Credit and Investment Corporation of India
ICT	Information and Communication Technology
ID	Identity
IDBI	Industrial Development Bank of India
IDS	Institutional Development Services
IGL	Income Generation Loan
IHSDP	Integrated Housing and Slum Development Programme
IIM	Indian Institute of Management
ILCS	Integrated Low Cost Sanitation Scheme
ISRO	Indian Space Research Organization
IT	Information Technology
J&K	Jammu and Kashmir
JDA	Jaipur Development Authority
JLG	Joint Liability Group
JMC	Jaipur Municipal Corporation
JNNURM	Jawaharlal Nehru National Urban Renewal Mission
KBET	Kalanga Bazaar Educational Trust
KBSLAB	Krishna Bhima Samruddhi Local Area Bank Limited
KCC	Kisan Credit Cards
KMC	Kolkata Municipal Corporation
KSRA	Karra Society for Rural Action
KVIB	Khadi and Village Industries Board
KVIC	Khadi and Village Industries Commission
KYC	Know Your Customer
LIC	Life Insurance Corporation
LMC	Lucknow Municipal Corporation
MACS	Mutually Aided Cooperative Society
MACTS	Mutually Aided Cooperative Thrift Society
MCG	Microcredit Group

MEPMA	Mission for Elimination of Poverty in Municipal Areas
MFI	Microfinance Institution
MFIN	Microfinance Institution Network
MIS	Management Information System
MOU	Memorandum of Understanding
MSME	Micro, Small and Medium Enterprises
MSRB	Microfinance Services Regulation Bill
MTL	Mid Term Loan
NABARD	National Bank for Agriculture and Rural Development
NASVI	National Association of Street Vendors in India
NBFC	Non-banking Financial Company
NCEUS	National Commission for Enterprises in the Unorganised Sector
NDA	National Democratic Alliance
NFBS	National Family Benefit Scheme
NGO	Non-governmental Organisation
NHG	Neighbourhood Groups
NLCP	National Lake Conservation Plan
NPA	Non-performing Asset
NPUSV	National Policy on Urban Street Vendors
NRCP	National River Conservation Plan
NRE	Non-Resident External
NREGP	National Rural Employment Guarantee Programme
NRY	Nehru Rozgar Yojana
NSSO	National Sample Survey Organization
NUIS	National Urban Information System
OBC	Other Backward Class
PCO	Public Call Office
PDS	Public Distribution System
PMC	Patna Municipal Corporation
PMIUPEP	Prime Minister Integrated Urban Poverty Eradication Programme
PNB	Punjab National Bank
POS	Point of Sale
PRADAN	Professional Assistance for Development Action
RBI	Reserve Bank of India
RMC	Ranchi Municipal Corporation
ROSCAS	Revolving of Saving and Credit Associations
RRB	Regional Rural Bank
RWA	Resident Welfare Association
SBI	State Bank of India
SC	Scheduled Caste
SEBI	Securities and Exchange Board of India
SEWA	Self-Employed Women's Association
SHG	Self-Help Group
SIDBI	Small Industries Development Bank of India