



## **Financial Literacy among Street Vendors in Lunglei District of Mizoram**

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### ***Abstract***

*Financial literacy is a starting point for sustainable development for individuals, businesses and the economy. The present study attempts to analyse the status of financial literacy among street vendors. To accomplish the objective, an exploratory design is adopted and primary data is collected from 187 street vendors functioning in the Lunglei district of Mizoram. To quantify the status of financial literacy among the street vendors, OECD developed questionnaire was used. The study is an attempt to estimate the three factors of financial literacy, viz. financial knowledge, financial behaviour and financial attitude. Further, an attempt is made to study the relationship between financial literacy and the demographic profile of street vendors. The findings show that the financial literacy among the street vendors in the Lunglei district is satisfactory.*

**Keywords:** *Financial Attitude, Financial Behaviour, Financial Knowledge, Financial Literacy, Street Vendors.*

### **Introduction**

Financial Literacy is the ability of an individual to make informed and logical financial decisions. The OECD has defined financial literacy as “a combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial well-being.”

“Financial literacy is the ability to make informed judgements and to take effective decisions regarding the use and management of money. Financial literacy is therefore a combination of a person’s skills, knowledge, attitudes and ultimately their behaviours in relation to money” (ANZ Bank, 2011).

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## **Street Vendors**

Street vending is an old age way of selling products, till today street vending is one of the most popular activities to earn money, especially for the financially weaker section of the society and the uneducated people. They are near the bottom of the pyramid of various economic activities. Street vendors are unskilled self-employed workers in the unorganized sector of the economy. Bhowmik and Saha (2011) defined a street vendor as “A person who offers goods for sale to the public at large without having a permanent built-up structure from which to sell”. In Mizoram, there are more street vendors, not having a proper place to sell their goods to the public. According to Street Vendors Act, 2014, a street vendor is a person engaged in vending articles, goods, wares, food items or merchandise of everyday use or offering services to the general public, in a street, lane, sidewalk, footpath, pavement, public park or any other public place or private area, from a temporary built-up structure or by moving from place to place and includes hawker, peddler, squatter and all other synonymous terms which may be local or region specific.”

## **Review of Literature**

The literature review has attempted to familiarize with various issues of financial literacy to identify the research problem. The literature review focuses on two aspects, namely, studies related to street vendors and studies related to financial literacy. Street vendors are the ones who sell goods to the public without having permanent seats, they are among the weaker section of the society and their income level is very low and uncertain. Bhowmik and Saha (2013) concluded that most street vendors borrowed money from moneylenders and also the demand for a loan is high among the vendors. They revealed that 51% of the vendors had credit source from their fellow vendors and 2% of vendors are found to borrow money from their relatives because of the free charge but they cannot borrow regularly. But in Mizoram, the majority of the street vendors have borrowed money from their relatives and parents. So, they also suggested that banks should arrange collateral-free loans to the street vendors and conduct more skill improvement training programmes and organise workshops for the weaker section of the society and also should make them aware of the latest scheme or programmes for the street vendors. Baliyan & Srivastava (2016) examined that women street vendors face more problems compared to their male counterparts to access financial services in their daily lives and also face problems regards to child care and sanitation in their workplace. And also, in their study, they found that most of the street vendors were living below the poverty line and most of them had a lower level of education. In order to overcome this problem, self-empowerment of the street vendors and access to better education for their children are required. They need to be aware of financial services, so that they can access the financial services and overcome the problem that they are encountering.

Financial literacy encompasses financial knowledge, financial behaviour and financial attitude of the individual. Every individual required knowledge and skills for the financial decision and management of money in their daily lives. Adetunji & David West (2017) found that young women living in the rural area were more vulnerable and more financially excluded than other groups. So, he suggested that low cost of financial services should be

provided among vulnerable groups with financial literacy and others intervention from the providers and the government and donor agencies. Naidu (2017) in his article found that financial literacy level is low in India, especially among the women who are in the middle of the age and are struggling with their basic financial knowledge in term of skills and financial knowledge. Although, there are many schemes offered by RBI and Central and State Government focusing on improvement of financial literacy but still a long way to go. To achieve the financial objectives, one has to possess basic financial skills, awareness, knowledge, attitude and need to demonstrate good financial behaviour. Agarwal, Kureel & Yadav (2017) in their article argued that youth should be educated about financial literacy, this will be beneficial not only for the individual but for the whole community, and it can open new doors for the youth as well. They suggested that some basic principles should be kept in mind while preparing development programme for financial literacy. These are effective mission and clear vision to help the community and improvement in standard of living and other curriculum areas. Negi and Gupta (2015) in their study on financial literacy level of Himachal Pradesh, they found that 81% of respondents have savings account in the banks, which shows that the respondents have the adequate knowledge of the financial instrument as 57% of the respondents have knowledge about National Savings Certificates and 75% of the respondents have knowledge of Public Provident Fund, which has been considered as two saving schemes in the present study. Dash & Das (2017) suggested that awareness about financial literacy should be created more among the woman entrepreneurs to equip the staff with financial literacy skills and also reveal that the age of the woman entrepreneurs is positively related with monthly expenditure because of the skills and awareness. Further, this study found that the financial literacy skills and awareness help them to focus on making personal savings, increasing the capital for re-investing and business expansion which brings in more profits in long run. The review of the literature highlights that financial literacy is low in India, especially among women and youngsters who are struggling with their basic financial knowledge.

### **Objectives of the Study**

The study is undertaken to find out the level of financial literacy among the street vendors functioning in the Lunglei district of Mizoram and to identify the relationship between financial literacy and demographic factors of the street vendors in Mizoram.

### **Data and Methodology**

The exploratory research design is used for the study. This study is based on financial literacy among the street vendors in Lunglei, Mizoram. The population of the study covered five markets in Lunglei district, Mizoram and data is collected through a simple random sampling procedure. From these markets, the study selected a simple random sample of 187 respondents with a confidence level of 95% and a confidence interval of 5% which is most commonly used in social science research.

To measure the level of financial literacy among the street vendors in Lunglei, OECD/INFE Toolkit for measuring financial literacy and financial inclusion (2018 version) has been used. The schedule was a mix of open-ended and close-ended questions. Secondary

data were mainly collected from various journals, magazines, and websites of Reserve Bank of India (RBI), OECD, etc.

### Hypotheses

- i) Age of the respondents has no significant impact on financial literacy.
- ii) Educational qualification of the respondents has no significant impact on financial literacy.
- iii) Marital status has no significant impact on financial literacy.
- iv) Income of the respondents has no significant impact on financial literacy.
- v) Economic status of the respondents has no significant impact on financial literacy.

### Results and Discussion

#### *Demographic Profile of the Respondents*

The demographic profile of 187 street vendors in Lunglei, Mizoram with regard to their age, education qualification, gender, marital status, family income is presented in Table 1.

Table 1: Demographic Profile of the Respondents

		Number	Percentage
Gender	Male	5	2.67
	Female	182	97.33
	Total	187	100
Age (In years)	Below 30	38	20.32
	Between 31-40	54	28.88
	Between 41-50	37	19.79
	Between 51-60	39	20.86
	More than 61	19	9.62
	Total	187	100
Education Qualification	Illiterate	0	0
	No Formal School	9	4.81
	Primary	49	26.21
	Middle	54	28.88
	HSLC	57	30.48
	HSSLC	16	8.56
	Graduate	1	0.53
	Postgraduate	1	0.53
	Total	187	100
Marital Status	Unmarried	24	12.83
	Married	132	70.59
	Divorce	9	4.82
	Widowed	22	11.76
	Total	187	100
Monthly Income	Below 5000	153	81.81

	5000-10000	23	12.29
	10001-15000	4	2.14
	15001-20000	5	2.67
	Above 20000	2	1.07
	Total	187	100

Source: Field Survey

It was observed that majority of the respondents, i.e., 97.33%; were females and only 2.67% were males. The study revealed that street vending was dominated by females. Most of the respondents, i.e., 28.33% belonged to the age group of 31-41 years, followed by 51-60 years (20.86%). It was found that majority of the respondents were married women, i.e., (70.59%). None of the respondents were found to be illiterate.

Interestingly, two street vendors possessed higher educational qualification with a graduate and postgraduate degrees. Out of 187 street vendors, 30.48% studied till class 10<sup>th</sup> and formed the majority among the respondents.

### ***Level of Financial Literacy***

To know the level of financial literacy, an OECD-developed questionnaire was used which is divided into three parts, viz., financial knowledge, financial behaviour and financial attitude.

### ***Status of Financial Knowledge among Street Vendors***

Financial knowledge is one of the measurements of level of financial literacy among the respondents. The financial knowledge enables better quality financial decisions. Table 2 shows that over half of the respondents have a moderate level of financial knowledge, 48.13% of the respondents possess a low financial knowledge. No one is found to have high score regarding financial knowledge. This may be due to the low exposure towards financial products among the respondents.

Table 2: Status of Financial Knowledge

Level	Score	Number	Percentage
High	More than 5	-	-
Moderate	Between 4 and 5	97	51.87
Low	Less than 4	90	48.13

Source: Field Survey

### ***Status of Financial Behaviour among Street Vendors***

Financial behaviour is one of the three components of level of financial literacy. In order to estimate the financial behaviour of the street vendors in Lunglei OECD toolkit was applied. As shown in Table 3, 52.4% of the respondents were found to be having high score.

Table 3: Status of Financial Behaviour

	Score	Frequency	Percentage
Good	More than 5	98	52.4
Average	Between 4 and 5	78	41.71
Indifferent	Less than 4	11	5.89

Source: Field Survey

Further, 41.71% respondents reflected average financial behaviour. Only 5.89% were found to be with a low score. It may be inferred that nearly 48% of the respondents did not possess good financial behaviour.

### Status of Financial Attitude among Street Vendors

Financial attitude is third component of the financial literacy. In order to estimate the financial attitude of the street vendors functioning in Lunglei district of Mizoram, OECD toolkit was applied. Table 4 shows ten attitudinal statements.

Table 4: Status of Financial Attitude

Statements	CA (1)	A (2)	N (3)	D (4)	CD (5)	Total	Mode	Median
I find it more satisfying to spend money than to save it for long term	65	73	9	36	4	187	2	2
I am prepared to risk some of my own money when saving or making an investment	21	115	9	29	9	183	2	2
Money is there to spend	103	77	6	1	-	187	1	1
I am satisfied with my present financial situation	115	56	14	2	-	187	1	1
I used my mobile phone to make or received payments	-	-	-	-	183	183	5	5
My financial situation limits my ability to do the things that are important	78	95	14	0	-	187	2	2
I set long term financial goals and strive to achieve them	75	95	14	0	3	187	2	2
I believe that money in a bank will be safe even if the bank fails	4	2	4	126	51	187	4	4
I have too much debt right now	1	4	10	121	49	185	4	4
If I borrow money, I have responsibility to pay it back	187	-	-	-	-	187	1	1

Note: CA=Completely Agree; A= Agree; N=Neutral; D=Disagree; CD=Completely Disagree

Source: Field survey

Statement 1: I find it more satisfying to spend money to save if for long term: Out of total 187 respondents, 135 of respondent agreed that they prefer spending money today instead of saving it for long term; whereas 21.38% of respondents did not agree with the statement. Only 4.81% expressed no opinion about this statement. The model response is 2, i.e., agreed and the median is also 2 (Agreed).

Statement 2: I am prepared to risk some of my own money when saving or making an investment: Regarding this statement, 71.71% of the respondents agreed to be prepared to risk some of their own money when making saving or an investment while the rest of the respondents i.e., 20.21% were not agreed with this statement.

Statement 3: Money is there to spend: 96.26% agreed with this statement, i.e., money is there to spend while 3.2% respondents had no opinion, and only 0.53% did not agree with this statement.

Statement 4: I am satisfied with my present financial situation: 91.43% of the respondents did not agree with the statement. Only 1.06% from street vendors did not agree with this statement.

Statement 5: I used my mobile phone to make or receive payments: All the respondents among the street vendors did not agree with this statement. However, most of the respondents had their own mobile phone but most of them were not using a smart phone.

Statement 6: My financial situation limits my ability to do the things: Over 92 of the respondents agreed with this statement. Out of 187 street vendors, 7.49% had no opinion regarding this. There was no one who disagreed with this statement.

Statement 7: I set long term financial goals and strive to achieve them: Out of 187 street vendors, 90.9% agreed that they set long term financial goals and try to achieve those goals as well. Nearly eight per cent were found neutral. No one is found to be disagreed with this statement.

Statement 8: I believe that money in a bank will be safe even if the bank fails: Only 3.19% of respondents agreed with this statement. Nearly 95% of the respondents disagreed with the statement.

Statement 9: I have too much debt right now: Only 2.67% of the respondents agreed with this statement. Almost 95 disagreed with this statement.

Statement 10: If I borrow money, I have a responsibility to pay it back: All the respondents agreed with the statement.

### ***Status of the Financial Literacy among the Street Vendors in Lunglei***

The overall financial literacy score is obtained as the sum of the three scores viz. financial knowledge (7), financial behaviour (9), and financial attitude (5). The questions are based on OECD toolkit measurement of financial literacy and financial inclusion. To measure the score of financial literacy the method adopted by Chen and Volpe (1998) was referred. Table 5 presents the overall score of financial literacy among street vendors in Lunglei district in Mizoram. Nearly 72% of the respondents scored a medium score in financial literacy. Nearly 18% of the respondents scored low in financial literacy and the remaining 11% of the respondents scored high in financial literacy.

Table: 5: Status of Financial Literacy among Street Vendors in Lunglei

Level	Score	Number	Percentage
High	More than 80	20	10.69
Medium	Between 60-79	134	71.66
Low	Below 60	33	17.65

Source: Field survey

### ***Relationship between Financial Literacy and Age of Respondents***

ANOVA test was conducted in order to find out whether any significant relationship exists between financial literacy and age of the respondents. The result is presented in Table 6.

Table 6: Relationship between Financial Literacy and Age of Respondents

	Sum of Squares	df	Mean Square	F	Sig.
Between groups	4667.129	52	89.752	1.672	.010
Within group	7192.881	134	53.678		
Total	11860.011	189			

Source: Field survey

The table shows that the significant value is less than 0.05 (p-value=0.010) which means that the test is significant. Hence, inference can be drawn that there is a significant relationship between financial literacy and the age of respondents. This finding is in consonance with the findings of the study conducted by Negi and Gupta (2015) that age played an important role in the financial literacy of street vendors.

### ***Financial Literacy vis-à-vis Educational Qualification of the Respondents***

To find out the relationship between financial literacy and the education of respondents, the ANOVA test was used and the result is presented in the Table 7.



Table 7: Relationship between Financial Literacy and Educational Qualification of Respondents

	Sum of Squares	df	Mean Square	F	Sig.
Between groups	202.285	6	33.714	.590	.738
Within group	10279.169	180	57.106		
Total	10481.455	186			

Source: Field Survey

ANOVA test reveals that there is no statistically significant relationship ( $p$  value= .738) between financial literacy and education qualification of the respondents.

***Marital Status of the Respondents vis-à-vis Financial Literacy***

In order to study the significance of the relationship between marital status and financial literacy, independent sample t test was conducted, the result of the test is shown in Table 8.

Table 8: Marital Status and Financial Literacy (t- test)

	t	Df	Sig.(2-tailed)
Marital status regarding financial literacy	2.582	185	.003

Source: Field survey

In order to test if gender plays a significant role in financial literacy or not, Student's t-Test applied. Calculated t value is 2.582 with 185 df and a p- value of .003 find a statistically significant relationship between marital status of the respondents and their financial literacy. This finding does not agree with the finding of Negi and Gupta (2015) that marital status does not play any significant role in the financial literacy of the respondents. In order to know the relationship between monthly income of the respondents and financial literacy, ANOVA test was adopted, the result is present in Table 9.

Table 9: Financial Literacy vis-à-vis Monthly Income of Respondents

	Sum of Squares	Df	Mean Square	F	Sig.
Between groups	1745.165	20	87.258	1.476	.096
Within group	9813.477	166	59.117		
Total	11558.642	186			

Source: Field survey

The test of variance is not found significant ( $F= 1.476$ ,  $p$ -value= .096). Hence, it can be concluded that there is no statistically significant relationship between monthly income of the respondents and their financial literacy. Negi and Gupta (2015) also found that income did not play a significant role in financial literacy of the respondents in their study. Table 10

shows the result of ANOVA test which attempted to determine if significant relationship exists economic status and financial literacy of the respondents.

Table 10: Relationship between Economic Status and Financial Literacy of Respondents

	Sum of Squares	df	Mean Square	F	Sig.
Between groups	323.200	4	80.800	1.415	.231
Within group	10392.447	182	57.101		
Total	10715.647	186			

Source: Field survey

The test of variance is found insignificant ( $F=1.415$ ,  $p\text{-value}=0.231$ ). Hence, it can be concluded that there is no significant relationship between economic status and financial literacy of the respondents.

### Conclusion

Financial Literacy plays a vital role for the development of our economy and an improvement in the country's financial literacy will directly impact the level of financial inclusion that would bring financial stability in the economy. In India, all the main regulatory bodies made efforts to enhance the financial literacy. However, the level of financial literacy is not as per the expectation. This paper attempts to evaluate the level of financial literacy i.e Knowledge, Attitude and Behaviour among the street vendors insights Mizoram. The study revealed that the majority of the street vendors had moderate financial literacy in terms of financial knowledge, financial behaviour and financial attitude. To measure the financial literacy among the street vendors OECD-developed questionnaire was used. The result of the study shows that the street vendors in Lunglei district possess moderate financial literacy and also show that there is a significant relationship between financial literacy and the age of the respondents and the marital status of the respondents.

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