

FINANCIAL LITERACY AND OTHER FACTORS MODERATING STREET VENDORS' FINANCIAL DECISION MAKING

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ABSTRACT

The street vendors are significant contributors to the economy. They are often denied various opportunities as they are vulnerable sections of society. It becomes important for them to be well financial literates which aid better financial decision making. This study examines the alleviative impact of gender and the level of monthly financial gain that influences the money decision-making among street vendors. A total of 385 street vendors based in Bangalore, Karnataka from whom the data were collected for the study through a structured questionnaire that measured financial skills, media habits, psychological factors, and normative financial influence to gauge money skill and financial decision making. Based on PLS-SEM multi-group analysis (PLS-MGA) by permutation approach, gender demonstrated significant moderation financial skills, media habits, psychological factors, and financial decision making. Meanwhile, the level of monthly income had no moderating effect on financial decision-making in each state. These results aid helpful information to the native authorities (BBMP), who works for the upliftment of the street vendors' financial standing by understanding the rationale for the low level of financial literacy and to develop intervention consequently.

Keywords: Street Vendors, Financial Literacy, Financial Decision Making,
JEL code: D14,D19, E26, G53

INTRODUCTION

In the era of rapid globalization, economic integrity has seeded the need for financial literacy. Financial literacy is a life skill (Gezmen & Eken, 2021). Over a decade the concept of financial literacy has gained importance. Considerable efforts are made by the government and policymakers to promote financial literacy. OECD INFE (2011) defines financial literacy as a combination of awareness, knowledge, skill, attitude, and behavior necessary to make sound financial decisions and ultimately achieve individual financial wellbeing. It enables efficient financial decision-making and effective money management (Apra et al., 2016). It is a convergence of understanding the various concepts of credit, finance, and debt management which helps in making better financial decision making (Venkataraman & Venkatesan, 2018). Financial stress occurs when individuals are not able to make responsible financial decisions as they are affected by various external and internal factors such as financial behavior, financial knowledge, financial skill, peer influence, and family background (A Firli, 2017). With these influential factors, the level of financial literacy varies. The dearth of adequate financial knowledge and the ability to integrate with an inadequate level of understanding and diligence makes individuals more vulnerable to fraud and imprudent financial decision making. Financial literacy is generally low with the various vulnerable groups of the unorganized workforce. Street vending is a globally integrated

activity. Street vendors are the most significant part of the informal economy. The street vendor's contribution is most visible in economic growth and development. The street vendors are often the ones who do not get employment in the organized sector due to a lack of education and poor socio-economic conditions who end up in poor financial status (Jaishankar & Sujatha, 2016). The National Classification of Occupation 1968 defines street vendors as a hawker, peddlers, street vendors, *pheriwalasell* articles of daily utility and general merchandise such as vegetables, sweets, cloth, utensils, and toys, on footpaths or by going from door to door. (Ray, 2011). As per NASVI (National Association of Street Vendors of India), a street vendor is a person who offers goods or services for sale to the public without having a permanent built-up structure but with a temporary static structure or mobile stall (or head-load). This vulnerable group is prone to face various challenges like poor socio-economic conditions, lack of financial stability, lack of education, and lack of financial accessibility. It is observed that they are often in the debt trap as they lack financial decision-making skills (Arif, 2015).

LITERATURE REVIEW AND CONCEPTUAL FRAMEWORK

Financial literacy is the need of the hour. Financial literacy is vital for all. Lusardi (2018) says that the level of financial literacy is low in many developing countries. This low financial literacy has led to the vulnerability of the economies. But in the long run, financial literacy has a great impact on the savings and investment pattern of individuals. Education and financial literacy go hand in hand and make it easy for various financial transactions. Higher financial literacy translates into greater wealth. Various factors affect the financial literacy level. The financial knowledge, financial skill, financial attitude, and financial behavior one possesses are the commonly used determinants of financial literacy level. The financial accessibility is made easy to the people, but still lack financial decision making, as they pose a low level of financial literacy. The level of literacy depends upon the background from which the individual comes. It is often said that the socio-economic background they come from often reflects on their level of financial literacy (Trizah et al., 2014). There are many studies on financial literacy and its measurement. Pecson, Lampa, & Tadeo (2019) studies the various determinants that measure the level of financial literacy and infer that financial skills are important though one possesses good financial knowledge to put the knowledge into practice like making the right financial decision and the right financial plan.

Murphy (2013) analyses the relationship between psychological factors and financial literacy. The limited education resources with psychological traits leave an individual at low financial literacy and high risk for financial planning. Individuals must have the basic financial literacy to take corrective financial decisions. Inadequate knowledge and lack of understanding put individuals at great risk; this necessitates the need for financial literacy which can aid better financial decisions for a better standard of living (Arif, 2015). This is seen in the vulnerable sections of society, as they lack basic education and steady income. One such vulnerable group is street vendors, the street vendors are one of the financially distressed populations of the economy as they do not have a stable income, and they work for long hours and have no proper legal laws

in place to provide them with social security. This is merely due to a lack of education and the socio-economic background they come from (Panwar & Garg, 2015).

Bhowmik & Saha (2011) states in a working paper that the street vendors though an integral part of the economy have limited access to finance such as exposure to cheap formal credits. The current situation of the street vendors is not very good as they still lack social security and access to formal financial markets. They face day-to-day exploitation, extortion as they do not have legal vending zones. The street vendors are the most vulnerable section of society and are prone to face such challenges regularly (Assan & Chambers, 2014). Lack of basic knowledge skills and education has forced individuals to choose street vending as a source of livelihood. They come from a low financial background. . Due to a lack of stable income, they are financially vulnerable and they are often under a debt trap. The other issue that they face is regarding the spatial issue, as they are not assigned legal vending zones. They lack sanitation facilities, social insecurity despite the various acts and laws in place (Ray, 2011). Financial accessibility plays an important role for street vendors as they need to run their daily business. The amount required depends on the type and size of the vending business they have. They do not have access to formal finance and they end up taking credit from other vendors or other informal financial resources at higher interest rates. These problems arise due to a lack of formal recognition in the economy. Lack of proper education and low accessibility to formal financing has left the street vendors in a poor standard of living (Srivastava, 2016). . The lack of information often keeps the street vendors out of reach of access to formal financing. They face challenges procuring funds for their daily business activity and often fall under the debt trap (A.R. Sindhu, 2016). The other aspect of their livelihood is the indebtedness level and their debt portfolio. Due to a lack of saving habits, they depend upon external sources of funds and do not avail of the subsidies and schemes given by the government for their welfare. The reason being, that they lack basic education and they often do not understand the information given out by the formal money lenders. Lack of education has left them being overexploited (Lina Martineza, 2018).

The increase in the number of unhealthy debt traps asks for basic financial education. This has become a social significance for people to be able to do basic financial transactions. Thus, financial education plays a major role in the transformations of individuals' financial literacy (Opletalová, 2015). Begari (2017) affirms in his study that education is a crucial factor that helps a street vendor performs his daily business activities. Uneducated street vendors are not aware of the various financial resources and various modes of income. The study reveals that the street vendors with basic education are more likely to have less indebtedness level. Sabri & Aw (2019) state that the source of information received impacts the level of financial literacy. The information can be obtained from media or peers review or through a financial planner. The outcome of this results in changes in the level of financial literacy and change in asset and income allocation. Venkataraman & Venkatesan (2018) investigate the various factors that determine the level of financial literacy. A structural equation model was developed and the study infers that the normative financial influence is dominant in influencing the level of financial literacy. Street vendors are from low-income groups who lack basic education and are denied various opportunities like access to formal financing because they have a low level of financial literacy and which has, in turn,

reflected on their financial decision-making. (Nikitha Neelappa S, 2020). Grohmann (2017) states that improving financial literacy aids financial development that leads to financial growth, efficient management of funds, and better financial decision-making skills. Financial literacy gives a wide range of financial products and options for channelizing finances in a better way, in other words leads to better financial decision making. financial literacy is often moderated by the socio-economic factors like gender, age, income level, education level etc. these further modify the effect on financial decision making (Beckmann, 2013).

As result of the above discussion shows that the presence of socio-economic factors would moderate the relationship between financial literacy and financial decision making, we are considering Gender and Income level to test the moderating effect of financial literacy on financial decision making Thus, the research model and hypotheses for this study were developed as shown in Figure 1.

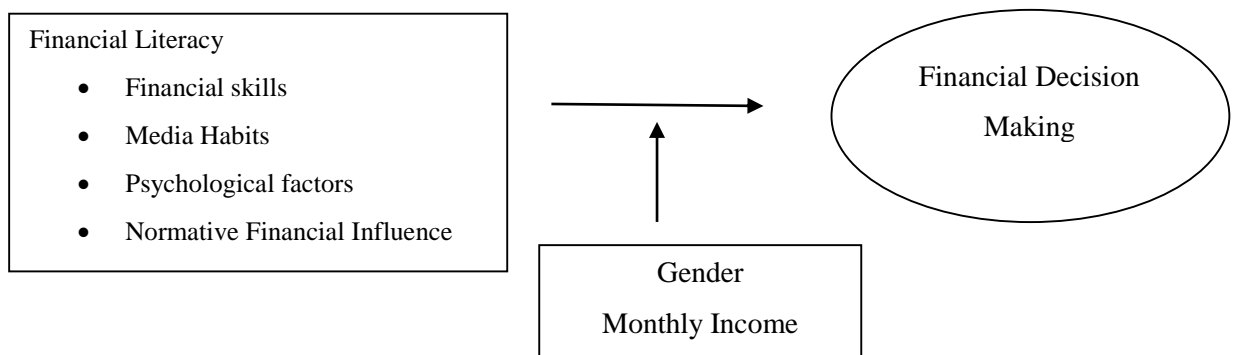


Figure 1: Research model

METHOD

- Sample

The study was conducted in Bangalore city, one of the fast-growing metropolitan cities in India. As per the survey conducted by The Bruhat Bengaluru Mahanagara Palike (BBMP) on street vendors, there are currently two lakh street vendors in Bengaluru city.

The research carried out is a descriptive study, as this gathers quantitative information that can be used for statistical inference of the targeted sample through data analysis(Larson, 2006). The research explores the moderating effect of gender and income level of the street vendors on financial literacy which affects their financial decision making. The stable street vendors are considered for this study, which includes fruits and vegetable vendors, flower vendors, and street food, vendors. The targeted population is over two lakh street vendors in Bengaluru as per the Bruhat Bengaluru Mahanagara Palike (BBMP) survey on street vendors as of September-October 2017. The present study considers 385 stable street vendors spread across different BBMP wards.

- Material

Data in the present study is derived from stratified random sampling. The data was collected through both primary and secondary sources. Primary data was collected through a questionnaire. To serve the objective the questionnaire was divided into three sectors. Section-A consisted of the socio-economic factors comprising eight questions, Section-B consisted of the measurement of financial literacy comprising 24 statements based on 5 points Likert scale under constructs such as media habits, financial skill, psychological factors, and normative financial influence comprising and Section C consisted of questions on Financial Decision making comprising of 6 statements based on 5 points Likert scale. These measures were used in previous studies (Ali et al., 2016), (Pecson et al., 2019), (Swiecka & Ye, 2020), (Hershey & Mowen, 2000), (Victoria Vyvyan, Levon Blue, 2014).

- Hypothesis Development

The concept of financial literacy is a mix of various factors. Financial literacy has gained importance as it contributes to a better standard of living of individuals (Lusardi, 2018) Thus, the hypotheses are proposed. The significant issue in this study is to test the moderating factors on financial literacy in financial decision-making. (OECD, 2016).

H1: The relation between financial literacy and financial decision-making is moderated by gender.

H2: The relation between financial literacy and financial decision-making is moderated by monthly income level.

This study is aimed to predict the financial literacy that is moderated by gender and level of monthly income among urban street vendors of Bangalore, India

- Data Analysis

The data collected were tested with the following sequence: Cronbach's alpha, common method bias (CMB), outer measurement model evaluation, and moderation effects. Cronbach's alpha, Harman one-factor test was employed to evaluate the data CMB through IBM SPSS Statistics 20 (Ringle et al., 2015). In addition, SmartPLS 3.0 software was used to perform the Partial least Squares Structural Equation Modelling (PLS-SEM) analysis to examine the hypotheses for non-normal data distribution and small sample size (Hair et al., 2017). The multi-group analysis (MGA) was used to determine the effect of gender and level of monthly income as moderators on the financial decision-making of the street vendors.

RESEARCH FINDINGS

- Data reliability test

The most widely used reliability test is Cronbach's alpha (α). The lower limit of Cronbach's alpha is 0.7, though 0.6 is considered in the case of exploratory studies (Black, 2010). The present study has a Cronbach's alpha is 0.968 indicating a high level of consistency with the items considered.

Table 1: Cronbach's alpha value

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
0.968	0.968	31

This value of Cronbach's alpha is considered desirable and acceptable and therefore the scale used in the study is reliable for further analysis.

- Data quality and normality test

Data quality is examined by using skewness and kurtosis as shown in Table 2. It is evident that the kurtosis for the majority of the variables. Out of five variables influencing the level of financial literacy only psychological factor is greater than one, a level beyond which non-normality of distribution becomes a concern. According to kurtosis, data used in the study are normally distributed. Also, referring to skewness as shown in Table 2 indicates that the majority of the variables are lesser than one.

Table 2: Data Quality for Variables Influencing Financial Literacy

Statistics					
	Socio economic condition	Media habits	Normative factors	Psychological factors	Financial Skills
Mean	1.5840	2.0578	3.4796	3.5153	2.0907
Std. Deviation	0.28262	0.55097	0.64268	0.78285	0.90620
Skewness	0.309	0.369	-0.611	0.249	0.315
Kurtosis	-0.562	-0.125	0.005	1.387	-1.018

Thus, kurtosis and skewness of the variables indicate that the data are distributed normally. This reliability and normality of results permit the researcher to use these data for further statistical analysis.

- Common Method Bias

Data for the current study was collected through a similar self-reported questionnaire, Harman's one-factor test is used to examine the CMB (Podsakoff et al., 2003). It was indicated that the first factor explained 13.185% of the total variance. As the value was below 50%, it can be concluded that the issue about CMB had not been detected (Tan et al., 2017).

RESULTS AND DISCUSSION

The variables as mentioned above are tested empirically and the following table summarises the outer measurement model assessment.

- Composite Reliability and average Variance Extracted

Table 3: Result of measurement Model

Construct	Composite Reliability	Average Variance Extracted (AVE)
FS	0.960	0.856
MH	0.937	0.714
NF	0.967	0.808
PF	0.952	0.711

The test for reliability and validity was conducted to further assess the measurement model. For this, the study measures internal consistency reliability through composite reliability (CR), and the average variance extracted (AVE) was used to evaluate convergent validity. It is generally accepted that a reliability coefficient above 0.7 is acceptable. As shown in table 3 Composite reliability values are above the threshold of 0.70, indicating that the scale has good reliability. In general, the composite validity above 0.7 and the Average Variance extracted is above 0.5 indicates the reliability of the model is good. As depicted in Table 3, all the AVE in the present study is above 0.5 throughout, which denoted that the latent variables have an ideal convergence ability.

- Moderating Effect

The present study considers gender and level of income of the street vendors as a moderating variable. Since the moderator vendor is not a continuous variable, the moderating effect is determined based on group comparisons by multi-group analysis (MGA) The permutation test is appropriate to determine the effects of categorical variables in the relationship between exogenous and endogenous constructs (Hair et al., 2017).

For the second moderator in the study: Income Level, the dichotomization technique is used by dividing the moderating variables into two value categories i.e. low-income level and high-income level. The dichotomization process is executed using the median split method in SPSS.

Based on Table 4, gender of the street vendors has a significant moderating effect at a 5% level of significance for the relationship between financial skills (male:0.711, female:0.585), media habits (male:0.645, female:0.420), psychological factors (male:0.644, female:0.637), and financial decision making (male:0.658, female:0.500), while the results reveal that the normative financial factors do not have a significant effect on financial decision making of the street vendors Apart from that, street vendors' income level did not moderate their financial skills, media habits, normative factors, and psychological factors. Although the income level was not a significant moderator, the comparison between the four components of TPB revealed that low-income level (path coefficient = 0.260) and high-income level (path

coefficient= 0.258) had a greater effect on the relationship between financial skills and media habits respectively as shown in Table 5.

Table 4 Moderating Effect of Gender

Structural Path	Path	Path	Path Coefficients	Path Coefficients	2.5%	97.5%	Permutation p-Values
	Coefficients	Coefficients	Original	Permutation			
	Original (male)	Original (female)	Difference (male - female)	Mean Difference (male - female)			
FS -> FDM	0.711	0.585	0.126	0.003	-0.112	0.121	0.034
MH -> FDM	0.645	0.420	0.225	0.006	-0.134	0.149	0.001
NF -> FDM	0.644	0.637	0.007	0.002	-0.116	0.129	0.928
PF -> FDM	0.658	0.500	0.158	0.003	-0.154	0.149	0.043

Table 5 Moderating effect of Income level

Structural Path	Path	Path	Path Coefficients	Path Coefficients	2.5%	97.5%	Permutation p-Values
	Coefficients	Coefficients	Original	Permutation			
	Original (low monthly income)	Original (high monthly income)	Difference (low monthly income - high monthly income)	Mean Difference (low monthly income - high monthly income)			
FS -> FDM	0.260	0.181	0.079	0.009	-0.272	0.305	0.612
MH -> FDM	0.219	0.258	-0.040	-0.005	-0.206	0.197	0.718
NF -> FDM	0.173	0.213	-0.040	0.000	-0.294	0.299	0.785
PF -> FDM	0.219	0.231	-0.012	-0.003	-0.259	0.217	0.916

This study aims at analyzing the moderating effect of gender and the relation between financial literacy and financial decision making

Discussion

This study aims at analyzing the moderating effect of gender and income levels of street vendors on financial literacy in making financial decisions. In line with the scope and purpose of the study and after the theoretical evidence from the past literature the following variable was used. The study affirms that gender as a moderating factor affects the street vendors' financial decision-making concerning financial literacy. Interestingly the moderating effect is not significant on normative financial factors affecting the financial decision making. This shows the gender plays an important role in the level of financial literacy which intern will impact financial decision-making. The stereotypical societal view needs to change to see a positive relationship between financial literacy and financial decision-making.

On the other hand, the moderating variable, income level, the permutation approach indicated that income level will not moderate any relationship between financial literacy and financial decision making of the street vendors. Irrespective of the level of income

the relationship between financial literacy and financial decision-making is not significant as per the result obtained from the above analysis.

CONCLUSION

This study provides evidence that the street vendor's level of financial literacy has an impact on their financial decision-making. Their financial decisions further ameliorate the financial status and capability of the street vendors. Financial literacy is a lifelong endeavor, which contributes significantly to refining the social status of many street vendors. As the street vendors are the vulnerable section of the society with varying income levels, it has become important for them to get access to formal financial facilities along with obligatory financial literacy from the profuse financial programs offered by the Government of India.

The scope of the study is limited to examining the relationship between financial literacy and financial decision making is moderated by gender and income level of the street vendors of Bengaluru city. This study gets to further be researched various other socio-economic factors that moderate the relationship between financial literacy and financial decision making.

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