PM Svanidhi Scheme: A Gateway To Micro Loans For Street Vendors

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KEYWORDS

Business Purpose, Digital Apps, Loan Cycle, Micro Loans, Street Vendors

ABSTRACT

Street vending is a self-employment activity commonly associated with the informal economic sector. This activity typically involves either stationary operations at a fixed spot or mobile vending, where goods and services are sold while moving through streets. Since street vendors lack a permanent business address, they often face challenges in accessing formal financial services.Prior to the launch of the PM Svanidhi Scheme, street vendors primarily relied on informal sources such as family, friends, or fellow vendors to meet their working capital needs. The PM Svanidhi Scheme was specifically introduced to provide financial assistance to street vendors, enabling them to address their business requirements. Under this scheme, vendors can access microloans starting at ₹10,000, with a maximum limit of ₹50,000. These loans play a vital role in helping street vendors revive their businesses, particularly in the aftermath of the pandemic.An additional highlight of the scheme is the provision of cashback incentives for digital transactions, encouraging the adoption of digital payment methods. The study assess the secondary on the scheme, This study aims to analyze the benefits experienced by street vendors in Gandhinagar City under the PM Svanidhi Scheme. The study also explains the view of bankers who provided loans to the street vendors under the scheme.
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Introduction

Street food vendors are individuals who sell variety of items in public spaces (Ekobi, 2023). According to the National Policy on Urban Street Vendors, 2004, a street vendor is defined as someone who offers goods or services to the public using a temporary or mobile setup instead of a permanent structure. These setups can include static stalls, mobile carts, or even carrying goods directly. Street vendors can be broadly classified into two categories: stationary vendors, who operate from fixed locations such as sidewalks, and mobile vendors, who use carts, bicycles, or even buses to sell their goods. In India, these vendors are collectively referred to as "urban vendors," encompassing both stationary and mobile sellers. They are also known by various local names, such as hawkers, pheriwallas, rehri-patri wallas, footpath dukandars, and sidewalk traders (National Association of Street Vendors of India -NASVI, n.d.).
Street vending is one of the most significant forms of urban economic activity globally and plays a vital role in the micro-economies of cities (Recchi, 2021). According to 2020 data from the Press Information Bureau of the Government of India, there were 1,825,776 registered street vendors in the country. India's street vending sector contributes approximately ₹80 crore in daily turnover, with each vendor typically supporting an additional three individuals as employees, partners, or workers (Anish, 2023).
Street vending requires minimal capital investment, making it an accessible livelihood option for the urban poor (D’Cruz, 2021). The rise in the number of street vendors in India can be

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attributed to various factors. Many individuals migrate from rural areas to cities due to the lack of stable or well-paying jobs in their hometowns. Upon arriving in cities, these individuals often face challenges such as limited skills or inadequate education, which hinder their ability to secure formal employment. As a result, they turn to the informal sector for work, which generally offers lower wages and less stability (Maniktala & Jain, 2021). Additionally, some individuals who lose their formal jobs due to company closures, mergers, or economic downturns also resort to street vending as a means of survival.

The Indian government provides various forms of support to street vendors through dedicated programs and schemes. For instance, the Ministry of Housing and Urban Affairs launched the PM Svanidhi Scheme to assist vendors in rebuilding or expanding their businesses. The scheme encourages timely loan repayment by offering incentives such as cashback on digital transactions (PIB, 2021). Similarly, the National Urban Livelihoods Mission (NULM) supports urban poor households by providing opportunities for self-employment and wage-based work. Under the Deendayal Antyodaya Yojana-National Urban Livelihoods Mission (DAY-NULM), the Urban Street Vendors (USV) component focuses on improving the livelihoods of street vendors through infrastructure development, group organization, and access to credit and social security (Ministry of Housing and Urban Affairs, n.d.). Skill development initiatives are also implemented to enhance vendors' competencies.

The management of vending zones and vendor-related grievances is overseen by the Town Vending Committee (TVC), established under the Street Vendors Act. This committee is responsible for issuing certificates, allocating vending spaces, and regulating vending activities (Drishti IAS, 2024). Additionally, states such as Maharashtra, Rajasthan, Karnataka, and West Bengal have introduced specific provisions aligned with the Street Vendors (Protection of Livelihood and Regulation of Street Vending) Act, 2014. This landmark legislation mandates local authorities to designate vending zones and create structured vending spaces, making it easier for vendors to operate their businesses (D'Cruz, 2021).

Literature Review

Microbusinesses often face challenges in maintaining a steady flow of working capital. During the pandemic, street vendors were unable to operate their businesses and were forced to rely on their savings for sustenance. To address these challenges, the Government of India launched the PM Svanidhi Scheme, a bold initiative to provide soft loans to street vendors and help them resume their livelihoods. The scheme aimed to formalize the informal business of street vending. However, one of the main challenges in implementing the scheme was the cooperation required from formal banking institutions (Chowdhary, 2021).

In some states, the low registration rates for the scheme were attributed to a lack of awareness about its provisions. Public sector banks issued the majority of loans under the scheme, while cooperative banks, rural banks, and private sector banks played a minimal role (Balamurugan et al., 2023). A study conducted in Meerut involving 150 street vendors highlighted that awareness of the scheme positively influenced their perception of it. The scheme's implementation made street vendors feel included in the microcredit program, enabling them to sustain their businesses and improve their lives. Despite the cashback incentives offered for digital transactions, most street vendors continued to rely on cash payments (Saini et al., 2024). Women street vendors, in particular, lacked awareness of their rights under the Street Vending Act and the benefits of the scheme. Nevertheless, the initiative provided a safety net for their livelihoods (Dimitrov, 2024). A study conducted with 151 street vendors in Karnataka revealed that many were unaware of government schemes. Most vendors were not part of any Self-Help Group (SHG) or street vendor union and often borrowed money from informal sources. They perceived the loan application process under the scheme as complicated, leading to a lack of interest in availing of the loans (Rani et al., 2023).

Similarly, a study of 60 street vendors in Ahmedabad found that vendors avoided borrowing from banks under the scheme due to the extensive documentation required and the lengthy processing time. To bypass these obstacles, they preferred borrowing from friends or relatives. Loan processing under the scheme typically took 7–15 days, and applications were often rejected due to insufficient documentation or the absence of recommendation letters for unregistered vendors (Joshi and Reddy, 2022). Research conducted with 330 street vendors in the Malda district of West Bengal identified that low awareness and illiteracy were major reasons why vendors did not benefit from the scheme (Hoque, 2023; Suniani et al., 2022; Bhardwaj & Singh, 2023; Prakash, 2024).

The scheme recognized street vendors as entrepreneurs capable of accessing credit. While national policies viewed them as creditworthy individuals, local authorities often perceived them as burdens (Madhav and Majithia, 2023). Before approving loans, banks scrutinized documents such as the Credit Information Bureau India Limited (CIBIL) score, Permanent Account Number (PAN) card, and Income Tax (IT) returns. One of the scheme's objectives was to incentivize digital transactions to create formal financial records, thereby improving creditworthiness (Maniktala and Jain, 2021).

Some studies explored reasons for re-migration to urban areas, including a lack of opportunities in villages, caste-related discrimination, the stigma of being labeled a "failure," the need for children's education, the lifting of lockdowns, and government assurances through initiatives like the PM Svanidhi Scheme (Shekhar, 2021). Beneficiaries of the scheme were also entitled to additional benefits under programs such as the Ayushman Bharat Health Insurance Scheme and the Ujjwala Gas Scheme. However, digital financial literacy and access to bank accounts remained significant challenges for street vendors (Jayaraj, 2022).

The reviewed literature primarily focuses on challenges faced by street vendors, including their borrowing preferences, awareness of the scheme, the pandemic's impact on their businesses, and the experiences of women vendors. Most researchers used questionnaires to conduct primary studies. However, there is a lack of secondary data-based research on the PM Svanidhi Scheme, particularly in Gandhinagar City. The present study seeks to address this gap by analyzing the performance of Gujarat State under the scheme, evaluating the socio-demographic profiles of applicants, and assessing bankers' perspectives on the scheme.

Research Objectives

- To evaluate the secondary data on targets and beneficiaries of the scheme at Gujarat and India level.
- To study the socio-demographic and economic details of the street vendors who applied under the PM Svanidhi scheme.
- To explore the perspectives of banks regarding lending to street vendors.

Research Methodology

The secondary data related to loans was sourced from the India Stats paid subscription. Data spanning four years across various parameters for the state of Gujarat was compared with the national data. Thus, cross-sectional data was utilized for the analysis. The available data was analyzed using the Compound Annual Growth Rate (CAGR). A descriptive research design was adopted for the study, and data management was conducted using Microsoft Excel.

A descriptive research design was also employed to analyze the secondary data collected from the PM Svanidhi application forms. The exclusive portal for the scheme was assessed with assistance from GMC, and data from 222 applicants was scrutinized. The applications were in a specific format, which was then converted into a data sheet with the necessary fields included. The sampling technique used was judgmental. The data focused on the socio-demographic and economic aspects of the street vendors. Data management was carried out using Microsoft Excel and SPSS, and descriptive statistics were performed on the data.

For the study, a descriptive research design was adopted to gather single cross-sectional data from bankers. Personal interviews were conducted with four bank managers from leading banks. An in-depth interview schedule was prepared prior to the interviews. Both primary and secondary data were used in the study. Published papers from conferences, edited books, and journals were consulted. The tools used for data collection from bankers included paper, pen, and mobile recording. For face-to-face interviews, personal visits were made to the banks. A non-probability judgmental sampling technique was used to contact 10 bankers, of whom only 4 agreed to participate in the interview. Branch managers were specifically approached for the interviews. The sampling area was Gandhinagar city, and the interviews were conducted during October 2024. Field notes, transcripts in verbatim, and Microsoft Word were used for data processing and management.

Data Analysis And Discussion

The data analysis is described below.

Assessment Of PM Svanidhi Scheme

The secondary data was collected from India Stat to assess the performance of scheme, and compare the performance of the state with India level.

Table 1: Assessment Of Scheme

Year	Particulars	Gujarat	India
2020-2021	Number of Eligible Loan Applications	142728	2982960
2021-2022		184293	1306037
2022-2023		133570	2081568
2023-2024		82299	484082
2020-2021	Number of Loan Sanctioned	106728	2203273
2021-2022		115556	1011897
2022-2023		104510	1342710
2023-2024		77488	758312
2020-2021	Number of Loan Disbursed	102349	2058046
2021-2022		111522	1073253
2022-2023		99747	1243850
2023-2024		79996	688128
2020-2021	Loan Disbursed (Rs. Crores)	102	2039
2021-2022		128	1252
2022-2023		167	2041
2023-2024		108	1068

(Source: India Stat, 2023)

The CAGR of eligible loan applications at the Gujarat level and the India level was recorded at -12.86% and -36.53%, respectively. Similarly, the CAGR of loans sanctioned stood at -7.69% for Gujarat and -23.41% for India. The CAGR for loans disbursed was -5.97% at the Gujarat level and -23.96% at the India level. In terms of the total loan amount disbursed (in crores), the CAGR was 1.44% in Gujarat, while at the national level, it was -14.93%. The success of the PM Svanidhi Scheme can be attributed to the inclusion of a large number of street vendors at its inception, followed by efforts to cover those left out in subsequent years. The negative CAGR reflects the significant progress made by states in bringing most street vendors under the scheme. Year-on-year declines in the figures indicate that the pool of uncovered street vendors has been steadily shrinking. Local government bodies in each state have actively worked to bring street vendors into the program, assisting them in completing application forms.

The number of loans sanctioned depended on the credit appraisal process, while the number of loans disbursed relied on the readiness of applicants to avail the loan. The disbursement amounts were higher in the initial year of the scheme and declined in later years. This trend can be explained by the requirement for street vendors to repay the first tranche of the loan before becoming eligible for subsequent amounts. Vendors could not advance to the next loan stage until their earlier dues were cleared. In Gujarat, 1,73,902 street vendors were issued certificates of vending, granting them legal recognition and identity.

Demographic Analysis

It consists of the age, marital status, caste, number of family members, number of working family members, and monthly income of the applicant.

Table 2: Demographic Profile Of The Applicant

Variable	Statistics
Gender	Male: 126 (57%), and Female: 96 (43%).
Age (in years)	Mean (X)= 39.78; Median (M)=38; Mode (Z)=32, Standard Deviation (SD)=11.82, Minimum (Mini.)=19, and Maximum (Maxi.)=71.
Marital Status	Single: 83 (17%) and Married: 184 (83%).
Caste	General: 56 (25%); Schedule Caste-SC: 64 (29%); Schedule Tribe- ST: 13 (6%); Other Backward Caste-OBC: 89 (40%).
Number Of Family Members	Mean (X)=2; Median (M)=2; Mode (Z)=1, Standard Deviation (SD)=2, Minimum (Mini.)=1, and Maximum (Maxi.)=5, Missing=29.
Number of Working Family Members	Not Applicable=29 (13%), Working Members=3 (1%), Non-Working=190 (86%).
Monthly Income (in Rs.)	Mean (X)= 13,666.67; Median (M)=11,500; Mode (Z)=10,000, Standard Deviation (SD)=5965.52, Minimum (Mini.)=5,000, and Maximum (Maxi.)=40,000.

(Source: Based on Secondary Data)

The demographic profile of the applicants under the scheme is highly diverse. The Gandhinagar Municipal Corporation (GMC) has made concerted efforts to ensure that the scheme's benefits are accessible to applicants regardless of their caste, creed, gender, age, or marital status. On average, applicants reported having two family members. However, 29 applicants did not provide details about their family members in the application forms, as they had migrated to Gandhinagar in search of better economic opportunities while their families remained in their hometowns. Since these individuals were living alone, they omitted family details from their applications. In only three cases, it was observed that family members were involved in economic activities and provided support to the primary applicant. The income of the applicants varied significantly depending on the nature of their businesses. Unlike a fixed salary, business income is subject to fluctuations and is not consistent.

Table 3: Business Demographics

Variable	Statistics
Experience (in years)	Mean (X)= 8.45; Median (M)=8; Mode (Z)=9, Standard Deviation (SD) =4.57, and Maximum (Maxi.)= 34 years.
Type Of Vending	Fixed Location=161 (73%), and Mobile=61 (27%).
Place Of Vending	Specific Sector=122 (55%), Village=39(18%), and Not Applicable=61 (27%).

(Source: Based on Secondary Data)

Street vending is a skill-based occupation. Applicants who possessed either a vending identity card or a letter of recommendation were deemed eligible to apply for loans under the scheme. The Gandhinagar Municipal Corporation (GMC) distributed application forms to all street vendors, allowing interested individuals to complete and return them for further loan processing. Street vendors typically either operate from a fixed location or move from place to place, selling their goods or services. Some conduct their business in the developed sectors of the city, while others operate in the nearby developing villages of Gandhinagar. For vendors who did not operate from a fixed location, the "place of vending" field on the application was marked as not applicable. Upon reviewing the applications, it was found that several developing villages—such as Bhaijipura, Borij, Indroda, Infocity, Koba, Kolavda, Kudasan, Palaj, Pethapur, Randheja, Sadra, Sargasan, and Vavol—were prominent areas where street vendors conducted their business. These developing villages, combined with their growing population density, provided favorable opportunities for business.

Table 4: Areas Of Vending

Areas of Vending	Frequency	Percent
Sector-2	3	1
Sector-5	2	1
Sector-6	6	3
Sector-7	10	4
Sector-9	1	1
Sector-10	5	2
Sector-11	7	3
Sector-12	2	1
Sector-13	4	2
Sector-14	3	1
Sector-15	1	1
Sector-16	9	3
Sector-17	2	1
Sector-20	3	1
Sector-21	8	4
Sector-22	3	1
Sector-23	1	1
Sector-24	24	10
Sector-25	3	1
Sector-26	1	1
Sector-28	1	1
Sector-29	2	1
Sector-30	21	9
Villages	39	18
NA	61	28
Total	**222**	**100**

(Source: Based on Secondary Data)

18% street vending was in villages, and 10% of the street vending was in Sector-24. The street vending is geographically dispersed in various places of Gandhinagar. The biggest market is Sector-24 in the street vending.

Type Of Business

There are many micro businesses that a vendor can undertake.

Table 5: Type Of Business

Type of Business	Frequency	Percent
Fast Food and Food Items	22	10
Flower and pooja items	2	1
Fruits and Vegetables	37	17
Plastic items	8	4
Pan and Tea Stall	7	3
Pan Parlour	29	13
Cloth and Handloom items	28	13
Soda Shop	3	1
Tea Stall	16	7
Beauty and fashion Accessories	22	10
Tailoring	16	7
Garage	5	2
Services	11	5
Footwear and Leathers Products	3	1
Others	13	6
Total	222	100

(Source: Based on Secondary Data)

Applicants who applied for loans under the scheme were engaged in a wide range of businesses. The "others" category included trades such as auto parts sales, bicycle repair, carpentry, footwear sales, home décor and handicrafts, laundry services, milk vending, packaged drinking water sales, purse and wallet sales, school bag sales, scrap buying, and shoe repair. Street vendors typically select products or services to sell based on household needs, market demand, evolving lifestyles, and the seasonal nature of certain businesses. This strategic approach enables them to cater to changing consumer preferences and maximize their earnings.

Digital Payment Applications

The scheme offers an annual cashback incentive of ₹1,200 to street vendors who adopt digital payment methods. Among the vendors surveyed, 119 (54%) did not use any digital payment apps. Meanwhile, 49 vendors (22%) utilized one digital app, 38 vendors (17%) used two apps, 14 vendors (6%) employed three apps, and only two vendors (1%) utilized four digital apps.

Table 6: Digital Applications Used By Street Vendors

Digital Apps	Frequency	Percent
Non-Users	119	54
Bank App	24	10
BHIM	7	3
Paytm	14	6
Phone Pe	3	1
Mswipe	1	1
Paytm, Bank App	26	11
Paytm, Bharat Pe	1	1
Paytm, Bharat Pe, Bank App	3	1
Paytm, Bharat Pe, Phone Pe	3	1
Paytm, BHIM	2	1
Paytm, Phone Pe	6	3

Digital Apps	Frequency	Percent
Phone Pe, Bank App	3	1
Paytm, Phone Pe, Bank App	7	3
PhonPe, G-Pay, Bank App	1	1
Paytm, Phone Pe, Bharat Pe, Bank App	1	1
PhonPe, MSWIPE, Paytm, Bharat pe	1	1
Total	**222**	**100**

(Source: Based on Secondary Data)

As high as 11% applicants used two digital apps, one being the exclusive bank's app and the another Paytm. 10% of the applicants exclusively used only app i.e. bank's app. 6% of the applicants exclusively used Paytm.

Loan Trenches And Digital Apps

As per the scheme the vendors are offered loan in three trenches. The first trench is of Rs.10,000, if it is repaid then next trench of Rs.20,000 will be offered, and if it is repaid then the last trench of Rs.50,000 will be offered to the vendors. The tenure of the 1st loan, 2nd loan, and 3rd loan is respectively 12 months, 18 months and 36 months.

Table 7: Loan And Apps Details

Loan Trench	Number of Online Payment Apps		Cumulative Number of Applications Received	Repayment of Loan	Loan in Process
	Users	Non-Users			
1st : Rs.10,000	3	61	224	223	1
2nd: Rs.20,000	5	42	223	176	47
3rd : Rs.50,000	96	15	176	62	114
Total	**104**	**118**	**623**	**461**	**162**

(Source: Based on Secondary Data)

The scheme is structured in a way that applicants must repay their first loan before becoming eligible for a second, and similarly, the third loan can only be availed after the second loan is fully repaid. Initially, the number of applicants using digital payment apps was quite low, but this gradually increased over time. A total of 623 cumulative loan applications progressed to the third stage, as applicants became eligible to receive up to ₹50,000 upon full repayment of their previous loans. Out of these 623 applications, 461 borrowers successfully repaid their loans, while 162 borrowers currently have active loans and are in the process of repaying their Equated Monthly Installments (EMIs). The loans were utilized for various purposes, including working capital, business expansion, and asset acquisition. In the initial stages of the survey, questions were asked about the age of the organization, the designation of the respondents, their professional experience, and the availability of exclusive schemes for street vendors.

Key Nationalized Banks Perspective On Scheme

Four key nationalized bank's manager were interviewed to know their opinion on

Table 8: Basic Demographics

Bank Name	Age of the Organization	Designation of the Respondent	Experience of the Respondent	Loan for Street Vendors
Bank 1 (Indian Bank)	109 years	Branch Manager	16 years	PM SvaNidhi

Bank Name	Age of the Organization	Designation of the Respondent	Experience of the Respondent	Loan for Street Vendors
Bank 2 (Canara Bank)	115 years	Chief Manager	12 years	
Bank 3 (UBI)	160 years	Assistant Manager	6 years	
Bank 4 (BOB)	116 years	Chief Manager	12 years	

(Source: Interview Transcripts)

Propaganding Of Scheme

The questions related to the awareness of the scheme, and customer connection were asked.

Table 9: Scheme Propaganding

Bank	Scheme Awareness	Customers Connect
Bank 1	Bank takes the help of Nagarpalika/ Muncipal Corporation, which conducts awareness initiatives for the scheme, by distributing pamphlets. The bank staff also imparts knowledge about the scheme to the visitors and customers.	Direct: Walk-ins in the bank. Indirect: Nagarpalika/ Municipal Corporation.
Bank 2	The Business Correspondents (BCs) identify the vendors who have funding needs. Through referrals also the banks receive the applications. Banks disseminate the information. As the literacy rate is high in the State, people are aware and apply for benefits under different types of schemes.	Direct: Walk-ins in the bank. Indirect: BCs, and referrals.
Bank 3	There are no formal marketing initiatives or efforts. Those who have already availed of the loan, spread the positive word of mouth and bring other borrowers who want to avail loan. When their department receives targets from seniors for loans to street vendors, they just make phone calls to those who have already availed of the loan. As such, they do not face any difficulty in achieving their target for the loan to street vendors.	Through references of those who have already availed the loan.
Bank 4	Bank takes the help of Nagarpalika/ Muncipal Corporation, which conducts awareness initiatives for the scheme, by distributing pamphlets. The bank staff also imparts knowledge about the scheme to the visitors and customers. There is no formal marketing programme. If there is any walk in inquiry, they are directed to Nagarpalika/ Municipal Corporation as the basic process of registration starts from there.	Those who have already availed the loan earlier, send referrals.

(Source: Interview Transcripts)

Loan Nitty-Gritty

It consists of conditions for availing a loan, loan size, loan objective, loan applications, and loan disbursement.

Table 10: Loan Nitty-Gritty

<table>
<tr><th>Particulars</th><th>Bank 1</th><th>Bank 2</th><th>Bank 3</th><th>Bank 4</th></tr>
<tr><td>Conditions For Availing Loan</td><td colspan="4">No collateral is required to avail of the loan under the scheme. Street vendors must possess a Certificate of Vending or an Identity Card issued by the Urban Local Bodies. They are required to register themselves with the Nagarpalika or Municipal Corporation by providing documents such as an Aadhaar card, PAN card, or address proof, including a NREGA card. Once registered on the designated portal, their loan account can be opened with a bank. Applicants must also have an active savings account or a Jan Dhan account with the bank to qualify for the loan.</td></tr>
<tr><td>Loan Size</td><td colspan="2">Minimum Size: Rs.10,000
Maximum Size: Rs.50,000
There are three slots to offer loan i.e. Rs.10,000; Rs.20,000, and Rs.50,000.</td><td>There are three slots to offer loan i.e. Rs.10,000; Rs.20,000, and Rs.50,000.</td><td>Minimum Size: Rs.10,000
Maximum Size: Rs.50,000
There are three slots to offer loan i.e. Rs.10,000; Rs.20,000, and Rs.50,000.</td></tr>
<tr><td>Loan Objective</td><td>Loans are offered to the street vendors, for conducting any kind of small business.</td><td>Loans are offered to street vendors. As females are getting more subsidies, the male members prefer to take the loans in the names of female family members.</td><td>Loans are offered to street vendors who want the funds for doing any kind of small business.</td><td>Loans are offered for doing any kind of small business.</td></tr>
<tr><td>Average Loan Applications</td><td>12 in a day.</td><td>10 in a day.</td><td>13 in a day.</td><td>10 to 15 applications per month for the scheme.</td></tr>
<tr><td>Loan Disbursement</td><td colspan="2">The process is very easy and smooth. Sometimes, the borrower need not even come to the bank for disbursement. It is done automatically once the formalities are completed such as registration with Nagarpalika/Municipal Corporation.</td><td>Loan is disbursed in the loan account at a time. Once the registration is done with Nagarpalika/Municipal Corporation, in less than 30 minutes the loan amount is disbursed to the borrowers.</td><td>The process is very easy and smooth. Once the registration is done on the portal of Nagarpalika/ Municipal Corporation, within 24 hours the funds are disbursed.</td></tr>
</table>

(Source: Interview Transcripts)

Loan Management

It consists of loan repayment, top-up benefits, repayment regularity, non-performing assets, loan recovery, and post-NPA process.

Table 11: Loan Management

<table>
<tr><th>Particulars</th><th>Bank 1</th><th>Bank 2</th><th>Bank 3</th><th>Bank 4</th></tr>
<tr><td>Loan Repayment</td><td colspan="2">There is a monthly EMI of Rs. 882 on the loan of Rs.10,000 (1 year), Rs. 1,200 per month EMI on the loan of Rs.20,000 (1.5 years) and Rs. 1,650 per month on the loan of Rs.50,000 (3 years).</td><td>Depending on the loan the EMI amount is Rs.882; Rs.1,200; and Rs.1,650. It is cumbersome to remember and pay the EMI amount of Rs. 882 on the loan of Rs. 10,000, the borrowers pay either Rs. 900 or Rs. 1,000. Those who are sincere and repay regularly, are given the facility of paying lump sum repayment. So, the loan can be repaid before the maturity.</td><td>Depending on the loan the EMI amount is Rs.882; Rs.1,200; and Rs.1,650.</td></tr>
<tr><td>Top-up Benefit</td><td colspan="4">Those who replay Rs. 10,000 loans become eligible to get the loan to the next level.</td></tr>
<tr><td>Repayment Regularity</td><td>A majority of the borrowers repay regularly.</td><td>Loans are repaid regularly.</td><td>These small borrowers are very systematic and particular about repayment. Females are observed to be more sincere towards repayment as compared to males. Since the bank is giving QR code, the customers' payment is directly received in the bank account, and thereby chances of NPA are reduced.</td><td>There is a mixed response. Sometimes they do not repay the loan. This has led to increase in the NPA account.</td></tr>
<tr><td>Non-Performing Asset (NPA) Level</td><td>NPA is not nil. It is 4% to 5% for the branch.</td><td>Very low NPA.</td><td>The NPA on this loan is very low since most of the borrowers repay. No such cases are observed.</td><td>Out of 87 accounts, 60 accounts have turned NPA. The level of NPA is high for PM Swanidhi Yojana.</td></tr>
<tr><td>Loan Recovery</td><td>There are no harsh steps taken by the bank for repayment. If</td><td colspan="2">There are no harsh steps taken by the bank for repayment. If someone is not repaying after the regular follow-up, the banks carry out cold calls to friends</td><td>Phone calls, regular visits and counselling are carried out</td></tr>
</table>

Particulars	Bank 1	Bank 2	Bank 3	Bank 4
	someone is not repaying the loan, the bank staff calls and sometimes visit the street vendor's place for recovery.	and relatives. They repay the loan on behalf of the borrowers.		for loan recovery.
Post-NPA Process	Even after the follow-up and counseling, the vendors are not repaying the loan, then banks apply to CGTMSE i.e. Credit Guarantee Trust for Micro Small Enterprise. This trust gives a cover of 40% to 50% subsidy to the bank. 20 to 30% is paid by the borrower. The remaining amount is written off.			

(Source: Interview Transcripts)

Bankers' Experience And Suggestions

- Bankers believe that the scheme has great potential, provided the street vendors use the loans exclusively for starting or running their businesses.
- The main reason for the Non-Performing Assets (NPA) is the low literacy levels among the vendors. Vendors need to recognize the significance of this loan and make regular repayments, which will, in turn, help improve their CIBIL scores.
- Small vendors are able to start and sustain their businesses with the financial assistance provided through these loans. This was particularly beneficial during the financial strain caused by the COVID-19 pandemic, when many street vendors benefited from the scheme.
- Private money lenders charge an interest rate of Rs. 5 for every Rs. 100 loaned, which amounts to nearly 60% interest annually. In contrast, under the PM Svanidhi scheme, vendors only pay 20 paise on Rs. 100. This offers significant relief, as street vendors are not exploited by money lenders and can secure working capital from banks.
- The third tranche of loans, which began on April 1, 2022, is currently underway. In the fourth tranche, there is a possibility of increasing the loan limit from Rs. 50,000 to Rs. 1,00,000. This would be a positive development and benefit a large number of street vendors.
- There are numerous instances where female borrowers have repaid their loans ahead of schedule, particularly when they anticipated being unavailable on the due date, such as for travel. Many small borrowers have successfully expanded their businesses with the help of these loans.
- According to the bank manager, the PM Svanidhi loan scheme holds considerable potential. If a borrower is capable of repaying a loan of Rs. 50,000, they would likely be able to manage a Rs. 1,00,000 loan as well. Currently, individuals seeking loans greater than Rs. 50,000 are redirected to the Mudra Loan scheme.
- The bank manager also noted that due to low literacy levels, many vendors fail to repay their loans regularly. Financial discipline is often lacking, and it is difficult to monitor the businesses after the loan is disbursed due to the high mobility of street vendors, who typically do not operate from fixed locations. Furthermore, since the loan is unsecured, recovering the funds becomes challenging. The borrowers' mindset also contributes to non-repayment, as they view the funds as government assistance and feel that repayment is unnecessary. In some cases, multiple family members may each secure loans from different banks under this scheme, but a significant proportion of them fail to repay.

- QR codes could be an effective tool for digital payments if implemented correctly. However, many street vendors continue to deal in cash, and they sometimes acquire QR codes from banks other than the one from which they obtained the loan. As a result, the bank cannot track the transactions in its savings account.
- Given the small loan amounts, banks are often reluctant to invest significant resources in recovery efforts or legal proceedings. Additionally, private banks are generally disinterested in participating in the scheme.

Findings And Conclusion

The performance of each state in enrolling street vendors in the scheme reflects tremendous effort. Banks adhered strictly to the rule that the second tranche of the loan would only be disbursed once the first loan was repaid. The government's initiative to provide street vendors with a certificate of vending has helped integrate them into mainstream economic activities. Over the course of four years, Gujarat saw 5,42,890 eligible loan applications, out of which 4,40,282 were sanctioned, and 3,93,614 loans were disbursed, totalling Rs. 505 crores.

Of the applicants, 57% were male, as street vending is predominantly a male-dominated activity. In India, the number of female street vendors is relatively low (Assan and Chambers, 2014). There are no specific barriers to entering the street vending business, making it an attractive self-employment option for those without formal job opportunities. Street vendors are diverse in age, with the youngest being 19 and the oldest 71 years old (Bhowmik, 2005). It is common for individuals to marry upon reaching adulthood, and 83% of the applicants were married. In Gandhinagar, 40% of applicants belonged to the OBC category. Street vending is not restricted to any specific caste, and individuals from all backgrounds participate. Historically, marginalized and underprivileged communities have been involved in street vending (Saha, 2011).

When filling out their loan applications, vendors mentioned only the family members living with them and excluded those residing in their hometowns. Most families consisted of up to five members, but in 86% of cases, no adult family member was involved in income-generating activities. A dual-income family can provide a financial cushion, but few street vendors had additional family support. The average monthly income of the applicants was Rs. 13,666, with a minimum of Rs. 5,000. The income varied depending on factors such as the type of business, location, hours worked, and seasonal variations, with some vendors earning as much as Rs. 40,000 (Adhikari, 2011).

The GMC ensured that street vendors could access low-interest, collateral-free loans, without any discrimination based on experience. Most applicants had an average of 9 years of vending experience. Around 73% of applicants sold their goods or services from a fixed location. Remaining in one place helps build customer loyalty, leading to what can be described as place branding (Bromley, 2000). The most common businesses were selling fruits and vegetables (17%), followed by pan parlours (13%), clothing and handloom items (13%), and fast food (10%). Street vendors tend to choose fast-moving goods because of space constraints, allowing them to rotate stock more quickly. The rise of fast food businesses has created new opportunities, which street vendors have seized upon (Bhowmik, 2005).

Street vendors are highly mobile, often deciding on their locations based on factors like population density and foot traffic. If business is poor at one location, vendors will move to a more promising spot. Developing villages and Sector-24 are major hotspots for street vending. The GMC has made significant efforts to engage vendors in these areas, reaching out to both stationary and mobile vendors (Mitullah, 2003). Despite the financial incentive of Rs. 1,200 annually for adopting digital payment methods, 54% of applicants still relied on cash transactions, and only a few used bank apps or Paytm. However, digital app usage has increased with each successive loan application.

Out of 222 loan applications scrutinized, the GMC has provided loans to 623 vendors across three tranches, with a repayment rate of 75%. One applicant has an active loan status with Rs. 10,000 outstanding, 47 applicants owe Rs. 20,000, and 114 applicants have Rs. 50,000 pending. No borrower has defaulted on EMI payments. The loans were used for working capital, business expansion, or purchasing assets.

Banks employed various strategies to raise awareness about the PM Swanidhi Yojana. They collaborated with local authorities to distribute pamphlets and organized awareness drives. Bank staff also directly educated potential applicants. Direct interactions primarily occurred when customers visited bank branches, while indirect connections were made through referrals from previous beneficiaries or local bodies. To qualify for the loan, vendors had to present a certificate of vending or an identity card issued by Urban Local Bodies. Banks in the study typically received 10 to 13 applications per day, although some processed fewer—about 10 to 15 per month. Loans were typically disbursed within 30 minutes to 24 hours, depending on the bank.

A few bankers reported that some borrowers had difficulty remembering their exact EMI amount and sometimes rounded their payments to Rs. 900 or Rs. 1,000. To accommodate borrowers, banks offered the option of lump-sum repayments, allowing vendors to pay off their loans earlier. Most borrowers, particularly female borrowers, were regular in repaying their loans. QR codes helped ensure payments went directly to bank accounts, reducing the risk of NPAs. Banks with high repayment rates reported very low NPAs. For borrowers who had difficulty repaying, banks used phone calls, personal visits, and counseling sessions with the borrowers and their families. In some cases, friends and relatives made payments on behalf of the borrowers.

In the event of continued non-repayment, banks could seek compensation from the Credit Guarantee Trust for Micro and Small Enterprises (CGTMSE), which covers 40% to 50% of the loan amount. The remaining amount is either partially recovered or written off. All the surveyed bankers strongly believed that the PM Swanidhi Yojana had significant potential to support the livelihoods of street vendors. However, they emphasized that vendors must understand the objective of the scheme and use the loans strictly for business purposes. A lack of literacy among street vendors has contributed to non-repayment, which negatively impacts their credit scores (CIBIL).

During the COVID-19 pandemic, this scheme provided vital support, offering low-interest working capital when private money lenders charged much higher rates. The ongoing third tranche of the scheme presents an opportunity to increase the loan limit to Rs. 1,00,000 in the fourth tranche, which would be a positive step for street vendors. Some borrowers mistakenly perceive these loans as government grants and fail to repay them on time. Additionally, many borrowers from the same family took out separate loans from different banks, complicating repayment. While QR codes are an effective tool for digital payments, vendors often conducted cash transactions and used QR codes from various banks, hindering proper financial management. Due to the small loan amounts, banks were reluctant to invest significant resources in recovery efforts or legal proceedings. Private banks have shown limited interest in participating in the scheme due to these challenges.

Conclusion

The GMC made significant efforts to reach out to street vendors, whether they operated from a fixed location or were mobile. The scheme covered vendors working in both the developed areas of Gandhinagar and the surrounding villages. Street vending is a skill-based business, and all vendors engaged in it as a full-time livelihood. The income generated from street vending played a crucial role in sustaining their families. To take advantage of cashback incentives, many street vendors adopted digital payment systems, making it easier to conduct business. Nearly every street vendor utilized at least one digital app. For the first time, selfemployed entrepreneurs in the unorganized sector were officially recognized and granted an identity. This recognition allowed them to become eligible for credit, with banks now offering loans to these previously unbanked individuals. Banks played a key role as the primary agency for disbursing loans under the scheme.

Acknowledgement

- *The authors are heartily thankful to Gujarat Technological University (GTU) for awarding a funded research project under the Research Promotion Scheme for Minor Research Project (RPS-MRP).*

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