

# Interventions for Street Based Businesses

From Street Vending to Micro-Entrepreneurship

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## I. Introduction

Street based activities have mostly been dealt with livelihood perspective, to be taken up as a last resort in absence of better options in urban areas. While this is more or less true, the inclination towards a philanthropic or welfarist approach has rendered the ‘entrepreneur’ in a street vendor somewhat unattended. There are two points to be kept in notice here –

- i. **First**, even though street vending may be the only livelihood option, the fact that street vendors are able to make some profit out of it, despite immense institutional constraints, is indicative of the potentials of this sector and entrepreneurial abilities of the vendors.
- ii. **Second**, while many street vendors are unquestionably poor and continue indifferent to expansion and scale up of their businesses, there are also such traders who are keen to expand their businesses to enhance profit. These vendors have got ideas but are somewhat clueless as to where to start from and how.

Further, it should also be kept in noticed that there are street vendors who are inter- generationally better off, who make reasonably good profit out, but continue to sell on streets due to market hold or unavailability of suitable space within their outreach. These two observations are indicative of the potential of entrepreneurial expansion among street based sellers and a scope for strategic intervention to facilitate the same.

Without contradicting or undermining the need for social security and support intervention for them, a business approach and strategy is entailed to foster street vending as micro enterprises. In fact, this is only expected to complement different measures to improve the lives of such vendors and boost up the urban local economy. This document is comprised of two important parts.

**Part A** proposes a roadmap for strategic intervention in this direction on the basis of detailed consultation with the street vendors in Patna and close observation of their daily activity profiles and time use, and

**Part B** brings forth actual implementation of some of the strategies and its impact witnessed on concerned street vendors’ business scenario and prospects. That is part A and Part B of this report deal respectively with ‘consultation based strategy development’ and ‘strategy implementation and impact assessment.

The process of strategy building covered under **part A** of this report has been organized systematically into following sequential steps:

### ***Overview of street vendors’ business activity profile***

- ↓ ***Disaggregation of their time uses across different business sub-activities***
- ↓ ***Disaggregation of cost and expenses incurred by them at different levels of supply chain management***

- ↓ *Profiling the value chains and associated sub-activities for businesses of different groups of street vendors, in terms of vending items*
- ↓ *Evaluating the vendors' attitude towards risk and willingness for business expansion*
- ↓ *Identification of constraints and opportunity areas for interventions at each node of the value chains*
- ↓ *Broad strategy proposed as corresponding to each opportunity set and challenges associated with each of the opportunity sets*
- ↓ *Specific strategy designs within the broad strategic framework with their categorization for short term and long run implementation*

This is a kind of situational analysis utilized to devise a feasible strategy to increase not just business profits but more to realize the entrepreneurial potentials of the street vendors by enabling them to take advantage of existing value chains and linkages and to create new ones. Part A of the report is organized in eight sections covering the background of street vendors studied and consulted in depth (in addition to the vendors who have been captured under generalized observations and profiling), daily (business) activity profiles and time use patterns of street vendors, derivation of functional value chains, cost structure of the vendors, their orientation and willingness towards entrepreneurship and business expansion, key business constraints and barriers, lessons learnt from value chain analysis, identification of corresponding intervention opportunities, strategy building, specifies steps to be taken and associated challenges, feasibility of proposed interventions, principles of implementation and key agents of the process.

The implementation of strategies proposed in part A and captured in **Part B** took place in following steps:

- I. Consultation with street vendors on strategy prepared for their business improvements.**
- II. Identification of proposals for executing immediately i.e. in very short run**
- III. Identification of street vendors for adoption of identified proposals on the basis of individual willingness**
- IV. Actual implementation of selected proposals with identified street vendors**
- V. Consultation with these street vendors after two – three months of kick starting the implementation regarding business impact.**
- VI. Documenting the change whatsoever, identifying the constraints and associated challenges**
- VII. Lessons learnt**

# PART A

## Strategy Building for Street Vendors' Business Promotion

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## II. Street vendors in business consultation: background characteristics

The consultation has involved a large number of street vendors in Patna, over a period of time with a recent and in dept business consultation with 15 street vendors from different categories. These 15 street vendors have been selected randomly from different part of the city and from different groups of vendors. Basic background characteristics of these selected street vendors are presented in the table 1.

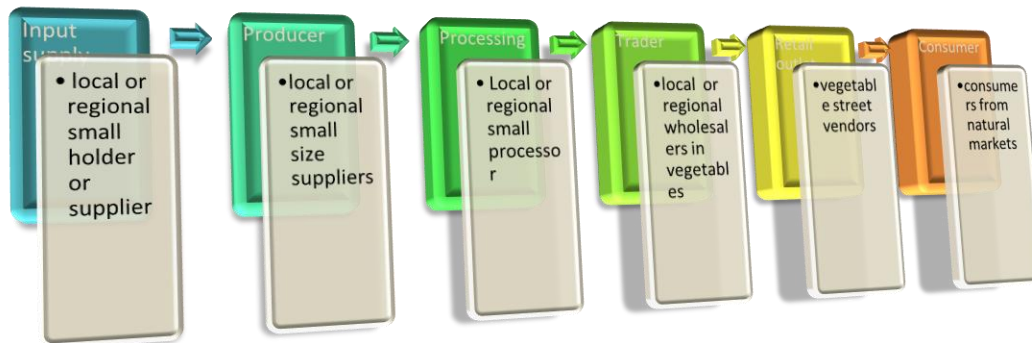
Table 1: vending related background characteristics of selected street vendors

Name	Age (years)	Sex	Alone or with family members	Vending group	Permanent or seasonal	Started on own or family trade?	How long vending (in years)	Level of Willingness for growth
Rekha Devi	24	F	Alone	Vegetable	Permanent	Family trade	Since childhood	High
Rajesh Kumar	37	M	Partial family support	Fruits	Permanent	Family trade	Since childhood	Medium
Rajesh Kumar Gupta	22	M	Alone	Garments	Permanent	Family trade	Around 15 years	Very high
Riyaz Izhaar	50	M	Alone	Garments	Permanent	Started on own	37 years	Average
Soni Devi	38	F	With husband	Clay and bamboo items	Permanent	Family trade	Since childhood	Indifferent
Mohammad Shahzada	51	M	Alone	Accessories	Permanent	Started on own	4-5 years	Indifferent
Narayan Prasad	40	M	Family	Hotel	Permanent	Family	Since childhood	Not interested
Awadh Bihari	36	M	Alone	Food stall	Permanent	Started on own	20 years	Average
Shameem Uddin	38	M	Alone	Fruit	Permanent	Family trade	20 years	High
Manju Devi	29	F	Alone	Vegetable	Permanent	Family trade	22 years	High
Mohammad Ali	25	M	Alone	Meat	Permanent	Started on own	8 years	Average
Surendra Prasad	41	M	alone	Vegetable	Permanent	Family (Kin)	30 years	average
Mohammad Zubeir	25	M	Alone	Fruit	Permanent	Family	Since childhood	High
Mahesh Kumar	27	M	Alone	Beetle-tobacco shop	Permanent	Kin	Around 15 years	High

### III. Activity profile and time use pattern: Deriving the functional value chains

There are certain key characteristics of activity profiles of the street vendors depending upon the nature of trade, they are indulged in. Strategic intervention in this area requires thorough understanding of the value chains, which are characterized by processes of value addition and transformation. Here we look at business activity profile of vendors from broadly different categories.

#### Vegetable and fruit vending:



#### Value chains for vegetable vendors

In case of vegetable and fruit vendors, this broadly includes traveling to wholesale markets or ‘mandi’, purchasing vegetables from the market and carry it back to the local market where they sell on retail. For street vendors who travel to far off ‘mandi’, the day begins at around 4: 00 am. Fetching vegetables or fruits for sell from wholesale market takes the vendors 6-7 hours. They stock the items at the retail market itself and protect it against weather. This is followed by 4-5 hours of break for them after which they resume vending activity in local market. They sell till 10: 00 pm in the night and store the unsold items in a way as to minimize the waste and this ends the business of the day for a stationary vegetable or fruit vendor. Thus, out of 24 hours a day, a vegetable vendor works on her trade for 15 – 16 hours and gains a maximum profit of Rs. 200 while the average earning fluctuates.

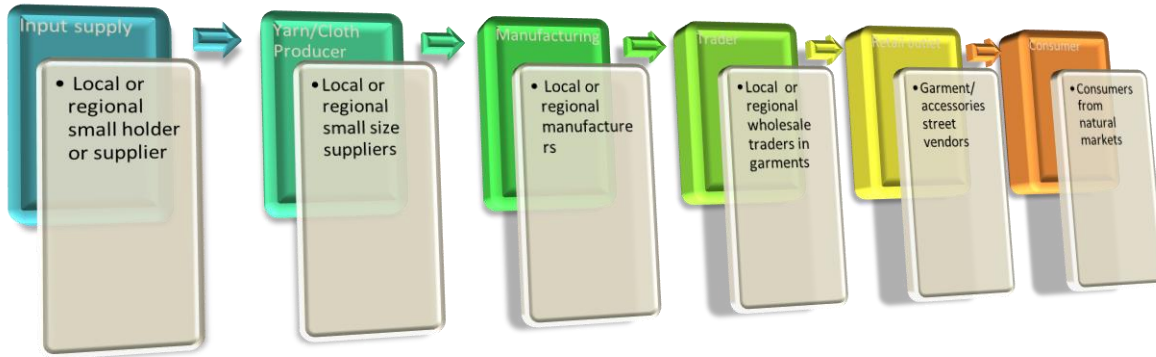
Fruit vendors have slightly better off position compared to vegetable vendors since they usually fetch items from nearby wholesale markets within the city. Thus, they spend less time and labour in buying and carrying sellable fruits from the mandi.

#### Vending in non- perishable items like cloth and accessories;

In case of street vendors trading non-perishable items, business is relatively less hard upon them as compared to vegetable and fruit vendors, at least in terms of time and hardship. For these vendors, business day starts at around 8.00-9.00 am, when they go to the godown where the stock their items. In around one hour they carry the items back to retail market where they sell and continue business till



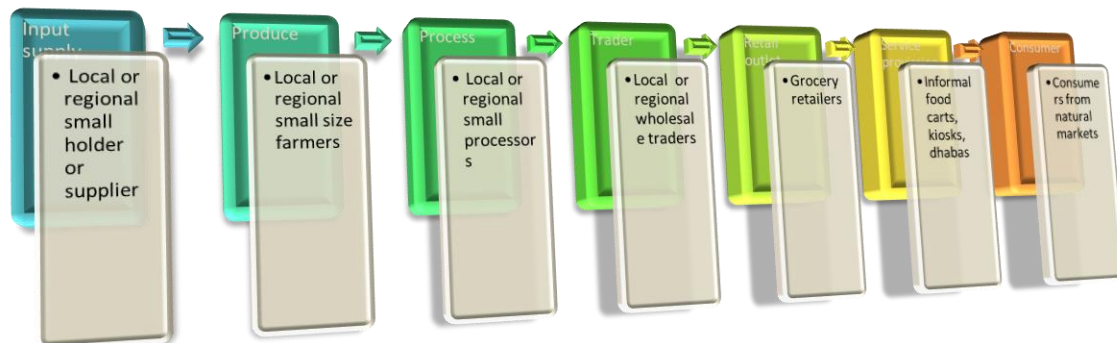
around 10:00 pm at night. They again wind up the shop and go back to the godown to stock their goods safely. For even these vendors working hour is 12- 13 hours. However, these are mostly male vendors and do not have to attend to household chores, which reduces constraints on time. Again, these vendors perceive the absence of protection against weather hassle as the most challenging part of their business. They sell on roadside for around 10 hours under the sun, which is a hardship.



**Value Chain for Cloth/Garment and Accessories Street Vendors**

**Food vendors;**

Food vendors usually run their business from a stationary cart or very crude semi permanent hut like structures on the roadside. They usually station themselves in and around office areas, transport points or city/area centre. Migrant workers, other vendors, rickshaw pullers etc. are regular customers of those engaged in providing morning breakfast. Such food vendors start at around 6:00 am in the morning and continue till evening or night. Those providing services in office area or market centre start off relatively late at around 9:00-10:00 am. In addition, there are also those food vendors who station at small corners of locality and open their kiosks during evening only.

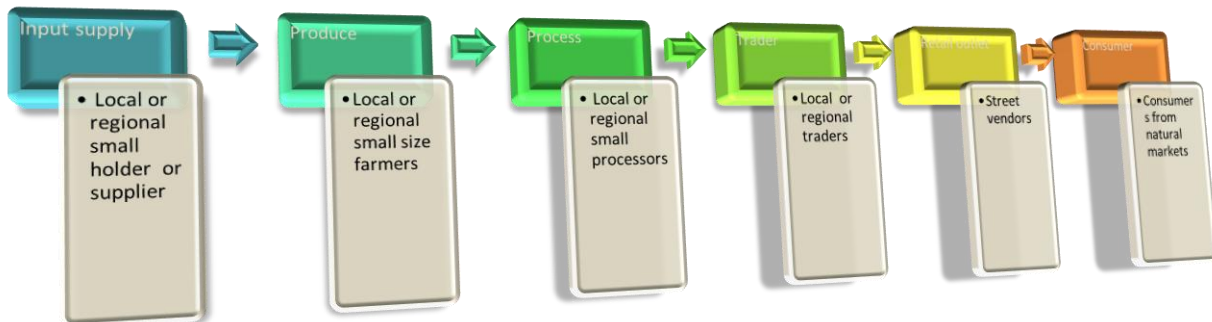


**Value Chain for Food Street Vendors and roadside 'Dhabas'**

On average, those running food – dhabas, continue their service for 10-12 hours while those who sell snacks or fast food, work there for around 8 hours. However, in case of latter, the business is more demanding as evenings are peak hours and they have no respite for a moment. Food vendors located in office areas witness peak activities during noon i.e. lunch hours. In the meantime, these vendors also take out time to fetch grocery for their businesses. Thus, in case of food vendors, their business hours and labour input vary depending upon their localities.

### Fish/meat vendors;

Street vendors engaged in selling non vegetarian raw items, station at particular places usually near vegetable markets. While meat vendors typically create a kiosk and store the birds, fish sellers sit in open and need to sell off their items same day, due to its perishable nature. Meat sellers start their business day at around 7:00 am and close it by 9:00 pm, with a likely lunch break during the noon. Fish sellers work in the morning and evening and are usually closed during the noon.



**Value Chain for fish and meat vendors**

Table 2: Daily business activity profile and time-use of street vendors in Patna

Type of vending	Procurement of vending items from market or godown	Opens kiosk	Closes kiosk	Hours spent on business per day
Vegetable	4:00 – 12:00 am	4:00 pm	10:00 Pm	16- 18 hours
Fruit	6:00 - 9:00 am	10:00 am	10:00 pm	13- 14 hours
Cloth & accessories	8:00 – 9:00 am	9:00 am	10.00 pm	12-13 hours
Miscellaneous items	Stocks at vending place	9:00 am	9:00 pm	12 hours but less activity
Meat/chicken	Stocks/supply at vending place	7: 00 am	9:00 pm	10-12 hours
Fish	Stocks/supply at vending place	6:00 am	10:00 pm	10 hours ( break during noon)

#### **IV. Cost disaggregation, profit and net earnings**

The business of street vendors i.e. vending activities operate on daily basis and accounts statements are maintained mentally i.e. mostly without a written record.

##### **Cost disaggregation;**

Again, cost incurred by vendors is different from each other, even among vendors selling similar items, depending upon the sources of supply. Thus, for vegetable vendors like Rekha Devi daily expenses include cost of travelling to distant places like KhusrupUr ----km from Patna, cost of purchases, additional cost on getting the weights of purchases and further expense on loading and unloading of items. In addition, she also pays the contractor at the wholesale market, at a fixed rate to be able to access the market. She incurs further, the cost of transporting the purchases back to Patna at the place of vending. For vegetable vendors who fetch items from local wholesale market the expense is lower due to lower transport cost and absence of contract system. The pattern is nearly similar for fruit vendors and in fact these vendors mostly access local wholesale markets. In addition, vegetable and fruit vendors have to bear expenses equaling any loss due to wastage of items either due to selling cheaper or due to complete wastages. Fruit vendors have occupied critical city areas since beginning earn relatively decent earning due to large market outreach and established reputation among customers.

Street vendors of cloths or accessories or other non-perishable items, do not need to fetch supplies on daily basis. However, they need a safe store to stock their selling items. Better of sellers, like Riyaj or Rajesh, rent in a godown nearby at a monthly rent of Rs 900-100/- and store their selling items every night after closing the kiosk at vending place. Since the rented store is not far off, the cost of transporting the items to and fro between the store and the vending place is Rs. 10-20 per day. These vendors fetch selling items from city centre i.e. from wholesale market within the city worth Rs. 15000-2000 in one time. Smaller vendors purchase items worth smaller value in one time and instead of renting a store, they prefer to stock the items at their homes itself. These street vendors do not pay any contractor and even though they purchase from wholesale market on a one day credit, they do not have to pay commission for that. In fact, street based cloth traders are since beginning better off as only those with some ability to make initial investment can enter the business.

Vendors engaged in non-perishable but small items of craft or clay are relatively worse off among the vendors. Since these are non-necessity items, sell is lower compared to items of daily or basic needs.

The only expenses incurred by Soni devi, who sells clay and bamboo items are the cost of the items purchased from suppliers from different parts of the states. She along with her husband, runs her shop, as 'business as usual'. There is no definite pattern of purchasing items from suppliers. This depends on how much she has been able to dispose through sales. For hotel vendors like Narayan Prasad, the cost of business usually includes the raw items for cooking he fetches daily from nearby retail shop. He shops for around Rs 1500- in one time and spends Rs. 20 on transporting the items to his hotel. Other than this, he does not have to incur any variable cost in his business. Awadh Bihari he has a small snacks kiosk

in main office area also claims of catering to around 100 customers daily. Again, his daily expenses include only the cost of raw items which he fetches daily from retail shop nearby.

### Profits and net earnings;

Depending upon the market outreach, the levels ' of street vendors' net earning varies. Those who have occupied lucrative natural markets since beginning earn highest compared to those newcomers situated in different localities. The vegetable and fruit vendors' prefer to keep a margin of Rs. 2. 00 to 5.00 per kg between purchasing and selling costs, depending upon the durability and demands for the items. Their average net earning varies between Rs. 150 to Rs 300 per day. However, it fluctuates significantly and is mostly skewed towards the lower end. In case of wastes, they also have to incur partial or complete loss.

Table 3: Cost, expenses and net earnings of street vendors

Type of vending	Expenses					Earning	
	Cost of purchases	Cost of weighing	Cost of loading /unloading	Cost of transport	Payments to contractors	Margin kept over cost	Net daily profit (in Rs.)
Vegetable	Y	Y	Y	Y	Y	Rs. 2-5 / Kg	150-200
Fruit	Y	N	N	Y	N	15-20%	200-250
Cloths and accessories	Y	N	N	Y	N	15-20%	300-500
Food/ hotel	Y	N	N	Y	N	Generally prevailing / fixed rate	300 - 400
Crafts/Misc.	Y	N	N	Y/Varies	N	Variable & little margin on craft items	70-100
Meat	Y	N	N	N	N	10%	300
Fish	Y	N	N	N	N	10-15%	200

Cloth vendors are relatively better off in terms of net profit and business return. As mentioned earlier, they usually sell in market centers and can afford to keep higher margin between purchasing and selling costs due to long durability of their items. Cloth vendors usually keep a margin of 15-20% over their cost of purchase and their scale of business even on roadside is relatively higher. Therefore, their net earnings levels are also higher than other vendors. Both Rajesh and Riyaj selling garments at city center say that they earn net between Rs. 300- 500 daily and this goes up significantly during festive seasons.

Food and road side hotel vendors are also better off than vegetable and craft sellers though not than cloth traders. Again, due to increasing crowd of informal workers and vendors in the city, number of regular customers for these vendors has been increasing and they are benefitting considerably. Narayan Prasad, a hotel vendor on the roadside says,

*“I deal with a minimum of 100 customers daily, as everyone needs to satiate their stomachs”.*

As an owner of roadside hotel owner, Narayan Prasad claims to make a net profit of Rs. 500 per day. However, his brother and son assist him in the business, which reduces profit per head after excluding labour cost. Awad Bihar sells litti-chokha near public office and also claims to cater to 100 customers daily. He earns a net profit of round Rs. 250 per day and runs his business alone. Food vendors thus, have relatively higher potential for earning. However, the profit depends much upon the scale of business and vendors’ ability to conduct it on large scale. Soni devi engaged in selling bamboo baskets or clay pots for years says,

*“There is meager earning per day, but we are accustomed to this business and do not feel like switching to other items. Sells are highly variable across seasons and festivals and what they earn during the peak season of marriage or chhath festival, sails them through rest part of the year”.*

### The bottom of pyramid;

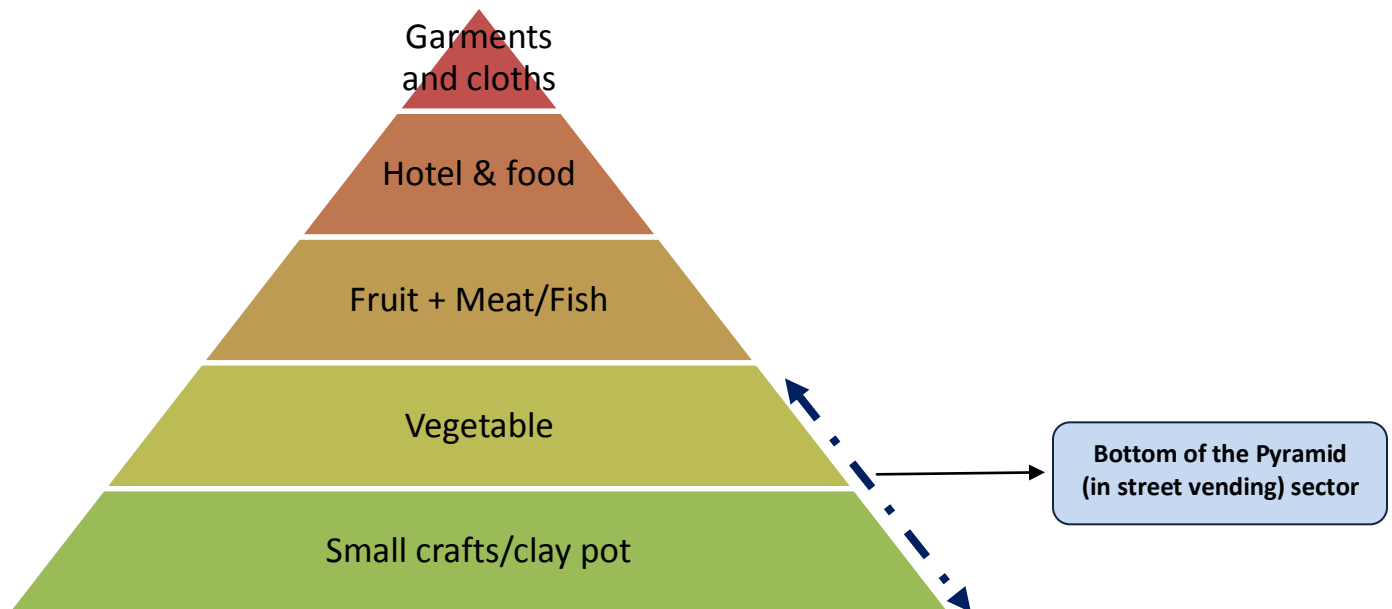


Figure 1: Hierarchy within the vending sector

## V. Risks and Willingness to Scale up: Barriers and Opportunities

### Risks in street vending business;

Street vending is a challenging task due to the hardship it involves. Since, the scale of business is small and temporary magnitude of risk is correspondingly low. There are three sources of risk for street vendors – wastage, weather and eviction in Patna. The incidences under all the three heads are variable and not discouragingly high. Vegetable vendor Rekha Devi says that there are wastages but up to a manageable level. The loss is not as big to take toll on business the other day. Summer and rain increase the likelihood of wastes in case of perishable items. Eviction drives usually accompany destruction and lootings of vending items, however, the frequency of forceful eviction has gone down now except in crowded areas like Railway Station. According to cloth vendor Riyaz, forceful eviction drives take place every 6-8 months. Since, the stock maintained by these vendors even in case of durable items, is not more than worth 3-4 days, the risk of loss is limited.

### Willingness to scale up and associated constraints;

Most of the street vendors express that to enhance their customer base they offer variety in selling items. Over time, vegetable and food vendors scale up their business in terms of number of items and customer base. However there is ceiling to which they can scale up. Access to space is a key constraining factor as per the vendors. Upon asking if they try anything to enhance their customer bases, Rajesh Gupta, the fruit seller says,

***‘I try to increase the variety of items. Even if I want, I cannot do much to scale up the business, due to limitations on space’***

Similarly, food vendors consented at the significance of hygiene and health and their significance in attracting customers. On average, all street vendors regard absence of well sheltered and safe selling space, as biggest constrains of their business activities. The struggle against nature is a drain on these vendors’ productivity and spirit. Rainy season is lean for their sales, not only because it affects the number of customers, rather because they are not able to conduct their business and their items of sales are also destroyed often. Upon asking the reason for not moving to a formal shop or like, Rajesh Kumar, says,

***“I do not have adequate capital to establish a formal base. I am not aware of banking loan process but I have heard they do not loan without a guarantee. In time of unavoidable requirements, I borrow from moneylender or kin, at 10% monthly commission”.***

Nearly, all vendors display satisfaction with their business given the state and express willingness to expand and scale up business while mentioning that it is impossible given the constraints on physical space and capital. *It is interesting to observe an element of satisfaction among these vendors despite such a low scale of business. The reason according to the vendors is that there is no dearth of market demand and the more they scale up the larger the number of customers. The inability to expand does not demoralizes them primarily because of what we call ‘adaptive preference’ wherein most of the street vendors have accepted their circumstances and administrative indifference.* This however is not indicative of the willingness to grow their businesses. There are vendors who are very inclined to

expand their trade but are unable to do so due to lack of capital. It must be noted that younger vendors are more inclined for trade expansion and more willing to scale up while those in relatively later ages of businesses are accustomed with constrained life and business style. Rajesh Kumar, the cloth trader of 22-23 years of age is eager to evolve into a smart and profit making trader and says,

***“I wish to convert myself into a full -fledged merchant trader fetching garments from cheaper sources across nearby states and sell the stock in the city on significant margin. However, this requires considerable initial capital which I am not able to access. The process to approach banks for loan is cumbersome and discouraging and in fact not fruitful”.***

Like garment vendors, hotel vendors are able to corner relatively better profit margin, still it's not enough to navigate them away from footpaths. In situ expansion is constrained due to limited public space. Likewise, upon asking about the most challenging part of their business, Rekha Devi, a vegetable vendor in East Patna expresses for everyone like her

***“Too much labour and physical hassle are the biggest challenge in our business. We go through negotiation, loading unloading of vegetables, transporting them to local market and selling right there, under the sun and water. This is the biggest difficulty we face in our business.”***

As Rajesh Gupta says while Riyaz Izhaar consents tacitly,

***“Weather is the biggest barrier in our business. Absence of protection against weather enhances the likelihood of cloths' wearing off. Rains are especially difficult. Further, during every eviction drive their goods are destroyed, snatched and stolen”.***

In the words of Avadh Bihari, food vendor near a government office,

***“The most challenging part of their business is the amount of labour required for it. I alone, prepared the food, serve it and clean the area and utensils. I cannot keep a worker, because it will be too expensive and eat away daily earning. Earlier, I used to employ children for assistance but now due to legal strictness, we are not able to do so”.***

According to Mohammad Ali, meat seller amidst vegetable Mandi,

***“Place for vending is most difficult aspect of our business. Even if my finance is manageable, it is difficult to rent in good place as no one is willing to let this kind of activity persist in the neighborhood. We are compelled to bear the vagaries of nature”***

## **VI. Key lessons and Opportunities for Intervention**

Based on the detailed business consultation with street vendors, it is observed that strategic interventions to enhance street businesses entail due consideration and understanding of four factors:

- It is a usual approach to focus on market expansion for promoting street businesses. This is however, a fallacy and not the key issue. Given their limitation, the street vendors have mostly claimed of large number of customers per day. The barrier lies in inability to scale up their activities in response to the demand.
- Many of the street vendors are just ‘necessity entrepreneurs’. These are often at relatively later stages of a street vendor’s life and less inclined to make tangible or non tangible investments in business expansion
- Interface of street vendors with different actors and at different nodes of value chains varies with nature of street vending. It needs to be understood as to which type and level of interface offers an scope for intervening in the sector.
- This also indicates that there may not be one generic intervention strategy for all types of street traders, though there may be overlaps certainly.

### **Lesson 1 and opportunities: elimination of non value added functions;**

Absence of adequate and helpful infrastructure leads the street vendors to undertake activities that cost in terms of time, money and labour but they hardly add value to the supply chain processes. In case of vegetable vending for example, there is enormous hardship in purchase, fetching and carrying back the supplies, which involves additional cost, loss of business efficiency as well as a toll on their productivity. An average street vendor spends 4-8 hours daily on this activity, which is not justifiable in business terms. This happens because these vendors take up many activities which do not create value addition but are time intensive. Thus the first focus of the strategy building process should be on elimination of such non- value addition.

### **Lesson 2 and opportunities: doing things better;**

Nearly all street vendors have been observed to end up paying higher per unit cost of their businesses due to inefficient or improper practices, often due to lack of options. Business without efficiency consideration or steps, is bound to hold back entrepreneurial growth. Business efficiency i.e. doing same task at lower per unit cost can be enhanced by ‘doing things better’. This implies, performing various business related sub-activities in an improved manner so as to avoid or reduce wastage, reduces time, curb losses and lower per unit cost of for vending. This indicates the need and scope for process improvement by the street vendors to enable them to mitigate or avoid negative externalities and associated costs.

### **Lesson 3 and opportunities: volume extension and product/service improvement;**

Many street vendors are willing to increase the scale of their businesses. In fact, these vendors are conscious of consumer’s preference and style requirements and given the institutional limitations, they already try to offer items/services as per those preferences, which actually is intended to attract consumers and increase their sell. Food vendors are also aware of and try to maintain cleanliness and hygiene of sufficient level, considering their customers’ demand for such parameters. For example, majority of the customers of Food vendors especially dhabas, include rickshaw pullers, cart pullers, auto



drivers, informal labourers, migrant workers, other non food vendors and like and these customers carry limited expectations on quality front. For vendors located at commercial or office places, relatively better off people use their services as well, precisely because street vending is part of urban life culture here and people have been relying on them for fun eating. Moreover, given the huge population of informally active population in Patna and limitations of scales, these vendors have considerable demand base.

Enhancing business returns entails scaling up their activities through volume extension. Doing business by this principle to tap the demand potential requires capital as well as space. The moment they become capable of extension, strategies to improve product and services need to be adopted to add up newer customers and reinforce the extension.

## **VII. Strategy building**

Promoting entrepreneurship in the streets entails multi-pronged and multi-level strategy – involving various nodes and corresponding actors in the value chain of the specific activity. This would involve steps that can be taken with immediate effect or measures that may be realized over time. This section proposes specific intervention strategies that may be considered for short or long run. This is expected to be helpful for systematic implementation. The street based business sector however would realize its potential only in the longer run.

### **Eliminate non value addition functions by improving supply chain management;**

There is much scope for improving efficiency by warding off activities that do not create value but add to cost, labour and time use. A review of functional value chains derived earlier indicates the opportunity to intervene in the activities of procurement, transport and storage by vegetable vendors. A judicious and efficient method of supply chain management can be highly beneficial in,

- Improving cost scenario
- Reducing time use
- Curbing labour productivity loss
- Improving scope for expansion

Improvement in supply chain management can have two key components in this regard viz. improvement of process and improvement in coordination, both seen to reinforce each other. Often better coordination will lead to process improvement.

### **IMPROVED COORDINATION: HORIZONTAL CONTRACTING**

**Horizontal contracting** implies coordination and cooperation among actors from same or similar segments for each sub activities of their supply chains. This would further help the street vendors to establish long term entrepreneurial relationships along supply chain.

This would involve following steps/initiatives.

- i. **Pooled procurement:** by entering into the system of pooled procurement of selling items, from particular wholesale trader will have several advantages.
  - ↓ **First**, group procurement in bulk shall enhance the bargaining power of the street vendors vis-à-vis the trader.
  - ↓ **Second**, they can enter into a written contractual agreement based on pre-determined terms and conditions. This will ensure better quality as well.
  - ↓ **Third**, in case of unfavourable terms of exchange or persistent non cooperation from the trader, the vendors' group may approach the farmers themselves and escape the commissions involved at intermediary level.
  
- ii. **Pooled transport:** These vendors can party to a system of pooled transport services that could supply vending items right at their doorsteps. Presently, an individual vendor spends long hours on this activity. Pooled transport service from a particular service provider, shall
  - ↓ Lower per unit cost of transport per street vendor.
  - ↓ Significantly reduce the toll on their physical labour and time.
  - ↓ Promote entrepreneurial efficiency and labour productivity by saving labour and time.
  
- iii. **Pooled storage:** In the medium or longer run, the vendors engaged in trade of perishable commodities can further coordinate with each other for developing and accessing cold storage system. Reduced wastages and retained quality will be cost saving and enhance demand. The street vendors can access small scale storage facilities for limited utilization, in case of wastages.

### **Process improvement: 'doing things better';**

Horizontal contracting as discussed above is one of the means to process improvement. Other ways to do things in better manner can include better maintenance of items for sell, better storage system, avoiding wastages, improved aestheticism, greater product variety and so on. Process improvement shall support enterprises of the street vendors by,

- Increased durability of non perishable items and reduced wastage of perishable items, thus reducing the loss.
- Enhanced customer appeal and demand
- Enhancing sell and increasing scope for expansion

### **RETAIL MANAGEMENT;**

Most of street vendors selling garments and accessories undergo difficulties, although less than vendors of perishable item, in storage and on -spot maintenance of selling goods. In fact, the consultation with such vendors reflected that weather exposure shortens the durability of their

items. Season of rain is especially challenging as they do not have proper shelter. Further, storage of selling items requires them to rent in store and carry the selling items to and fro daily. Even if the vendors wish to expand, they are constrained by these issues. Strategies to address these constraints include following initiatives:

i. First step towards retail management would be access to wheeled stationary vending carts. These carts may be like aesthetically designed mobile vans of different size and dimensions as per the requirements of the vendors subject to a maximum size. In fact, supplying such carts can generate a new value chain linked to street based activities. Customized user friendly cart system, once popularized, shall be advantageous by

- ↓ Increasing convenience by combining the storage place and vending place, as per vendors' requirement.
- ↓ Eliminating the cost of business by mitigating the need to rent in stores separately.
- ↓ Increasing customer appeal and sell and reducing eviction since vending in this way will reduce encroachment of public place.

To begin with those vendors who are relatively better off in business terms such as garment vendors can be encouraged and supported for such initiative. Indeed, if commercial markets for cycle rickshaw can sustain, so can for vendors' cart. Such initiatives just need to take off once. This can save their need for renting in separate stores for their stocks.

#### **CREDIT MANAGEMENT;**

ii. A prelude to the above step is access to credit since mobile carts are likely to involve considerable investment. Given this, facilitating credit access to interested street vendors can be considered as per following considerations-

- ↓ First, the principle of selectivity should be followed and identification of eligible street vendors should be carried out on the basis of three criteria:
  - From the business consultation, it is apparent that not all vendors are interested in expansion. In fact, it is relatively younger street vendors who are seeking opportunities to scale up. The first task should be to identify such vendors.
  - Among such vendors, those formally associated with a registered vending association for 3-5 years, should be identified.
  - Out of these affiliated vendors, those who have been part of a micro credit programme should be selected on the basis of the consistency of their record.

- ↓ The street vendors filtered through the three step process with the help of a reputed organization or NGO can be connected to institutional financing with the organization/NGO acting as guarantor of loan.
- ↓ Or, to avoid misuse of the loan fund, the bank can lend on the condition of direct disbursement to the supplier of the cart. In case of defaults- the probability of which should be minimized through involvement of NGOs- may be confiscated by the banks.
- ↓ To encourage 100% loan repayment, incentives can be introduced to recognize best performances. The focus mostly has been on negative measures with an objective to control defaults. Positive measures in the form of public recognition, awards or relaxed additional credit etc. can be helpful in this regard. Eligible or interested street vendors can be connected to,

- **Providers of social venture capital**
- **Institutionalized micro credit services**
- **Nationalized Bank and other pro poor credit providers**

### **Volume extension;**

There is considerable scope for entrepreneurship promotion and business expansion in the area of street vending. Expansion or volume extension is expected to be favourable in following ways.

- Benefits of economies of scale – per unit cost reduction
- Increase in profit and investment potential of street vendors
- Overall entrepreneurial growth

Almost all vendors affirm that there is no dearth of demand and in fact, they are constrained to tap the potential. This is because there are certain pre conditions for volume extension, which the vendors are not able to meet. These are,

- Access to proper space and efficient utilization of available space
- Labour management
- Product management
- Access to pro poor credit

- i. Access to proper space is conditional upon policy framework and municipal action. These factors are not much in immediate control and in the absence of both, vendors have encroached public spaces. They have invited administrative wrath and this is also due to poor space management. Often it is seen that, despite using a strategically advantageous position, several vendors keep extending their shops further, which is indeed problematic. Accessing aesthetically designed vending carts along with disciplined behaviour can extend more positive orientation to street vendors' activity.

- ii. Food vendors are unable to expand also because it requires lots of labour. Given the increased cost of labour and vigilance on child labour, these vendors have to rely solely on their own labour. Consequently, they avoid scaling up considerably and are unable to leverage the market potentials. Even in cases where family members are also engaged in the business, it amounts to gross under-employment of labour. Access to labour depends on capital availability.
- iii. Limitations on space, labour and capital does not leave much option before the street vendors to scale up and indulge in product improvement beyond a limit. The productivity gain from elimination of non value addition and process improvement can be utilized for product improvement in terms of quality and standardization. But volume extension would not be possible without credit and labour access. Newer forms of pro poor financial capitals are being evolved, which can be utilized.

If the challenges are handled properly, the strategy discussed here can go a long way in improving the business circumstances of the street vendors. The next part of this report presents and discusses the outcomes and experiences from implementation of selected strategies among a few street vendors.

# PART B

## Implementation and Impact of Selected Strategies

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## VIII. Street vendors’ Consultation: selection of Strategies, Inputs and identification of street vendors for implementation

The strategy to promote street vendor’s business activity was kept for open discussion with the street vendors who contributed to it through earlier rounds of consultation (see Table 1). While the street vendors were visibly convinced with all the three categories of the strategy, they were unequivocally inclined to following two aspects:

- i. Stability and space
- ii. Credit and finance

The identification of strategy was influenced by the vendors’ preference. The strategy on value chain improvement appeared relatively less attractive to the street vendors, primarily due to the issues of mutual collaboration and trust. Pooled procurement and horizontal contracting would require the street vendors to cooperate with each other and work as a community. Despite, the existing social ties and shared memberships of vendors’ association, street vendors have been observed to fail in utilizing these connections for business enhancement. Thus given, the clear priorities of the street vendors during the consultation, stability of daily trade and credit related experiments were consensually identified as immediate intervention. Accordingly, depending upon the level of willingness and perceived motivation to grow, following street vendors, out of the consultation group, were selected for the planned intervention:

- Rekha Devi
- Mohammad Riyaz Izhar
- Mohammad Shameem Uddin
- Awadh Bihari Prasad and
- Manju Devi

Table 4: vending related background characteristics of five selected street vendors

Name	Age (years)	Sex	Alone or with family members	Vending group	Permanent or seasonal	Started on own or family trade?	How long vending (in years)	Level of Willingness for growth
Rekha Devi	24	F	Alone	Vegetable	Permanent	Family trade	Since childhood	High
Md. Riyaz Izhaar	50	M	Alone	Garments	Permanent	Started on own	37 years	Average
Awadh Bihari	36	M	Alone	Food stall	Permanent	Started on own	20 years	Average
md. Shameem Uddin	38	M	Alone	Fruit	Permanent	Family trade	20 years	High
Manju Devi	29	F	Alone	Vegetable	Permanent	Family trade	22 years	High

The profile of the vendors selected for initial intervention, is re-captured in table 4. All of these vendors have been into vending trade for a very long time and display a high level of willingness to grow and expand their businesses. They were observed to be active participants all through the strategy building and implementing consultation.

**Additional Input:** While these vendors were themselves very keen on credit access, what they were less used to was regular and systematic savings. During the consultation, they were given inputs on business benefits of saving practices and how to practice them. They were familiarized with the fact how saving management can enable them to support their businesses without the need to borrow from others. At the end,

- **Cushion against eviction**
- **Access to credit**, and
- **Disciplined practice of saving** were three key steps the six street vendors together with the students consultation group, decided to start with.

## **IX. Process of implementation of selected proposals with identified street vendors**

As mentioned above, these vendors preferred improved access to credit and stability in daily business activity as key interventions over other measures discussed during the consultation. Accordingly, a separate consultation with the five selected street vendors was held to discuss and decide the ways and means of implementing identified interventions. The process of implementation involved continuous consultation with the street vendors.

### **Efforts to avoid forceful eviction;**

The street vendors' problems from frequent and forceful evictions and consequent loss of their vending items are genuine concerns. During the consultation process on identification of strategic intervention areas, Riyaz Izhar mentions,

***'We suffer from considerable loss in one go every time an eviction drive occurs. As we run away from the police, our shops remain un-attended and therefore, items are taken away by the constables and others as well'.***

Awadh Bihari expresses similar opinion,

***'Ruthless police drives to remove vendors, destroy our whole arrangements and since I run a eating outlet, the food littered and thrown around do not remain usable after the police has left and we face complete loss'.***

It is obvious therefore, that the street vendors' major concern is security of trade and trading goods. Accordingly, the consulting group of students discussed the issue with the organization Nidan, which has



been working for a long time with street vendors in the city. Being an organized body consistently centered around street vendors' cause, Nidan has acquired legitimate recognition for even public authorities and administration. Therefore, it was decided that the street vendors be registered with Nidan, which in turn would issue an identity card to them. The selected street vendors have been registered with Nidan and have received identity cards from it. The representatives from Nidan and the students' group leading the process met key officials from the municipal corporation, took them in to confidence and got an assurance that these vendors having the card issued by Nidan be spared from forceful eviction drives. Since then, these street vendors have not suffered from loss of vending items caused by forceful evictions.

### **Facilitating saving and access to credit;**

A consultation on finalizing the preferred mode of credit support was also held with the vendors. As discussed, these street vendors are reluctant to rely on a bank account for business purposes since 1) they deposit very small sum of money and 2) need to withdraw smaller amounts in greater frequency. Therefore, some of these vendors have bank accounts but they maintain it for personal saving purposes. For businesses, the street vendors preferred an easy, un-restricted and smooth access to credit.

Access to credit and saving mechanism, was extended to the vendors through following steps:

- Consultation with organizations working on micro-finance, micro credit, cooperative credit etc in the city
- Partnering with one of these organizations to implement the strategy on experimental basis – in this case, the 'Sanchay Cooperative' providing a platform for small savings and credit and extension to petty and small players in market, came forward for the scheme.
- Brining the interested street vendors and partner organization - Sanchay Cooperatives, together for orientation on existing mechanisms, schemes, interest rates and other terms and conditions.
- Registration of the five street vendors with the cooperative and opening of saving accounts.

Once started, the street vendors were closely monitored and persuaded to sustain the saving practice for at least three months to see the impact. Afterwards, they may opt out, in case the savings are not found to be helping to towards their small business needs and credit access.

Thus, the five street vendors viz. Rekha Devi, Md. Riyaz Izhar, Awadh Bihari Prasad, Md. Shameem and Manju Devi, started with a saving account with Sanchay Cooperatives and got access to two critical services, for their business:

- i. Regular and systematic saving
- ii. Ready access to their own saving for small and contingent requirements, without any loss and debt to repay
- iii. Access to gold loan, wherein loan against gold can be taken for significant business needs.

These vendors began to save minimum of Rs. 10-30/- per day at an annual return rate of 4%. They were given the freedom to withdraw any sum of money out of their savings. They also have the opportunity to borrow against their gold stock and repayment is to be done through automatic deduction from their saving balance.

## X. Impact of the Two Strategic Interventions

After a considerably long interval, another round of consultation was held with the five street vendors who had chosen to avail the pilot scheme. The feedback received from these vendors brought forth an encouraging picture.

### Qualitative and quantitative gains from forceful evictions;

The qualitative gains from absence of forceful evictions during last few months, is reflected from expressions of freedom and relief, as the vendors speak during the final round of consultation process. In the words of Shameem Uddin,

***'We have not been driven away from our places for quite some time now. I was fed up of running away from the police as if I am a criminal. This caused lots of frustration and pain, which had a hangover for next few days. The freedom from eviction is a great relief, as I feel secure everyday and enjoy my business activities'.***

Manju Dev continues further,

***'Our daily activities have got some degree of stability now. I am confident that after coming back the next day this place is accessible to me without any threat. This matters for us'.***

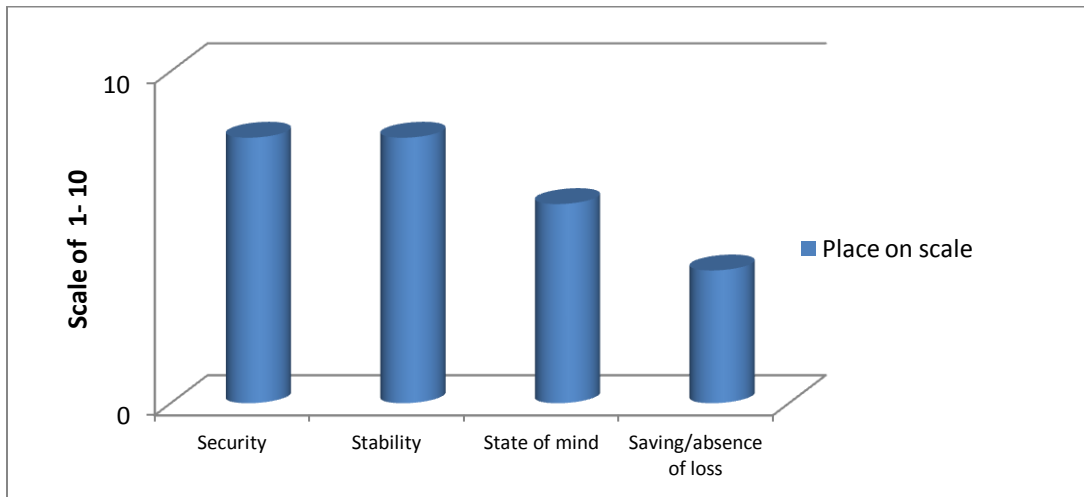


Figure 2: Improvements after absence of eviction

This qualitative improvement has quantifiable gains as well. No forceful eviction means absence of sudden and unreasonable loss of their vending items. Shameed Uddin who sells fruits in a busy area of

Patna that, with each such drive which could occur as frequently as once a month, several kilos of his stock used to go waste. Even if I arranged my shop latter, the fruits were damaged, not worth sale. Thus, he says,

***'I had a monthly loss of around Rs 500-600/-. This loss is no more there and the amount is like extra earning for me now'.***

Figure 2 represents the qualitative and qualitative gains from absence of forceful eviction, on a hypothetical scale of zero to ten (0-1). As observed, there is clear increase in qualitative aspects of vendors' well being, with significant improvements in the levels of security, stability and state of mind. Quantitatively, the losses from evictions have fallen i.e. effective saving has increased after forceful evictions have been stopped.

### Impact of saving management and credit access;

The achievement underlying the vendors' saving practice is enabling the vendors to mobilize resources from their own assets – whatsoever. With systematic savings of small fraction of their profit, the vendors are becoming independent of the debt trap for small and contingent needs. This section elaborates on the experiences of the five street vendors with reference to their association with Sanchay cooperatives. This review separates out the effects of regular saving behavior and of associated access to credit.

- All the five street vendors started the saving process with an average of Rs. 10-30/- per day. The challenge has been to ensure consistency in this practice. With close persuasion, these vendors have been able to sustain this daily saving. Figure 3 below, gives levels of daily savings of these street vendors at two different stages of time – one, when they started the saving account and two, current period – after a few months since they started the practice. The figure 3 depicts an impressive increase in levels of daily savings among these street vendors given relatively short period of time.

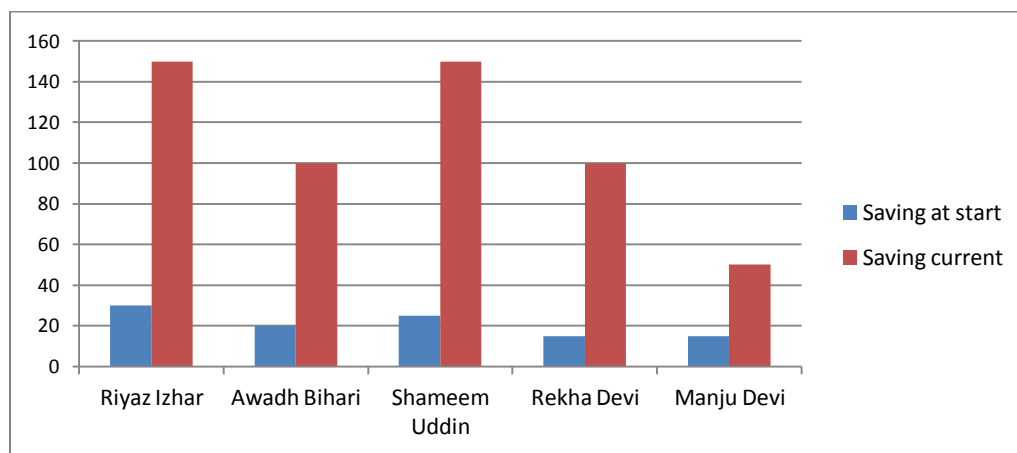


Figure 3: Increase in daily savings or ability to mobilize fund after association with Sanchay cooperative's saving & loan scheme

During the consultations held after a few months of the selected vendors' affiliation to Sanchay cooperative's, they appeared to be satisfied and confident of their saving management. Thus, Riyaz Izhar laments –

***'the flexibility in amounts of savings on one hand and the freedom to withdraw from our savings on the other, are especially helpful for us since we run our trade with very short term plans and mostly with daily variations'***

Rekha Devi shares the opinion of Riyaz Izhar and adds that,

***'being a woman, access to saving and credit schemes of Sanchay cooperative has offered additional support for me. Through savings, I have been able to account for frequent fluctuations in my vending activity, without the need for borrowing'***.

- While saving practices were adopted by all the five street vendors, only four of them opted to use the opportunity of the gold loan – partly because of other constraints in expansion and partly because they did not have gold with them to get cash loan in exchange. Mohammad Riyaz Izhar, Mohammad Shameem Uddin, Rekha Devi and Awadh Bihari availed credit through gold loan scheme of Sanchay cooperatives. They borrowed for business expansion, invested judiciously and with commensurate profits they have been able to pay the installments consistently as deducted from their savings. Since after expansion, these vendors have managed to ensure larger turnover, they are also able to save relatively larger amount of money than their counterparts. Thus, the loan repayment is being done through given terms of installments, which is remarkable given the nature of vending trades. Further, the reason behind the greater increase in abilities to save and actual saving amounts of Mohammad Riyaz Izhar, Mohammad Shameem Uddin, Rekha Devi and Awadh Bihari (see figure 2), rests precisely in two factors:
  - i. These street vendors have accessed credit through gold loan scheme of the Sanchay cooperatives. Due to credit access, they have been able to bring considerable increase in scale and content of their trade in one go and hence have increased their business returns and net profits, a fraction of which is saved.
  - ii. Secondly, as the positive linkages reinforce each other, with greater savings these very vendors have also acquired the ability to withdraw larger sums from their accounts, during contingent business needs.

Both these factors explain the difference between the saving increases of different street vendors, shown in figure 3.

The access to saving mechanism has longer term benefits to the associated street vendors:

- i. The increase in saving should be understood as corresponding increase in these street vendors' ability to mobilize fund on their own and create capital out of these funds through

- investment. This process of saving out of profit and re-investing it subsequently, to be able to save a larger fraction - is critical for business and trade growth and it is exactly this ability that most of the vendors are found to lack. Initiation of this cycle is likely to have long term business benefits for these street vendors.
- ii. For small but contingent requirements for business and even non business purposes, these street vendors do not need to go to the money lender. Instead they can withdraw from their own savings, without any need to pay interests. Any sudden financial requirement does not burden them for future. This practice is being helpful in breaking the vicious debt trap, which eats away the profits of small traders and vendors.

## **XI. Constraints and Challenges: Lessons from implementation**

Implementation of the identified steps in this case has rendered a bright picture. The process has been relatively smooth since the number of vendors is small. Through this experiment, existing as well as potential challenges associated with scaling up the process, have become clearer.

### **The challenges:**

- The primary challenge associated with associating street vendors with saving groups is complete absence of discipline in their saving habits. Traditionally, these street vendors have been hand to mouth in their businesses and are engaged in very short term planning. For contingent requirements they have been borrowing and repaying on higher interest rates. Given this tendency, it is very difficult to persuade them to start regular savings and retain consistency in the practice. In this experiment, though it was difficult to begin with, due to close monitoring from the students' group throughout, minimum amount of saving could be sustained. However, once such scheme is scaled up, many street vendors would be involved and it would not be feasible to monitor each of them. Bringing consistency and discipline in saving habits of the street vendors is likely to be challenging.
- The challenge in the credit based initiatives is the absence of street vendors' credibility regarding loan re-payment. Access to institutional credit has been marred by such a reputation of vendors. However, during contingencies, they borrow from local money lenders and repay them with higher rate of interest. Thus, with strategic scheme and proper incentive, default levels are expected to be minimized. Again, when the number of actors is high, observance of discipline would be difficult.
- Linkages with more formal institutions such as banks involve technical issues and knowledge. At least in the beginning, the vendors and/or the NGOs engaged with them would need to consult expert for financial evaluation and management. Direct and effective coordination among the NGO, the beneficiary and the lender would be a pre-condition for transparency and success of lending programme. Despite technical mediation by a NGO, the bank should have one to one interface with the beneficiary vendor.

- Street vending involves usage of public space and often spills over the road and parking areas, which itself is due to poor space management. As a short cut alternate to systematically organize street trade and public places, local administration relies on forceful evictions. Given this and the un-abating traffic congestion, an identify card from Nidan may not be helpful in avoidance of eviction forcefully. This is also an issue of property rights and administrative arrangements. Access to proper space is conditional upon policy framework and municipal action but these factors are not much in immediate control. But in the absence of such frameworks, vendors have ended up encroaching public spaces and have been victimized frequently by the police. Escaping forceful evictions may be increasingly difficult in future.

### **The lessons: where we go from here?**

The encouraging outcomes of the small experiment involving five street vendors in Patna, at least signals significant potential for improving business scenario and working state of street vendors, which in turn has implications for quality of livelihood and overall life. But the task is challenging and entails strategic implementation of various steps and measures discussed in part A. The increase in scale of implementation must not be accompanied by lack of coordination, monitoring and cooperation. A strategic way out would be to plan and execute the interventions systematically in terms of both time and target groups. Also, as noticed earlier, demand is not a critical constrain as presumed usually. The constraint broadly, lies in,

- ↓ **Inefficiency of processes- procurement, transport, maintenance, storage etc and**
- ↓ **Institutional constraints – inability to access formal credit, space, technical support to strategize their activities etc.**

The strategy discussed therefore, directly or indirectly address these constraints. In order to be systematic and dexterous, it is recommended that these specific steps be understood in terms of the challenges they offer and the period they require for implementation. Accordingly, the initiatives are categorized in short run and long run measures, though there would certainly be some overlaps.

**Short run steps (6-12 months)** include initiatives which can be taken with concerted efforts from the street vendors, vending association and NGOs working with street vendors. These may include,

- ↓ **Efforts to eliminate non value addition functions and process improvement**
- ↓ **Horizontal coordination among street vendors**
- ↓ **Efficient and organized management of available space**
- ↓ **Training to street vendors on entrepreneurship issues and their roles**
- ↓ **Credit access through micro credit and cooperatives**

**Longer run measures (1-3 years)** would require leveraging existing formal organizations, banking institutions, relevant enterprises etc, would logically require greater time for realization. These may include,

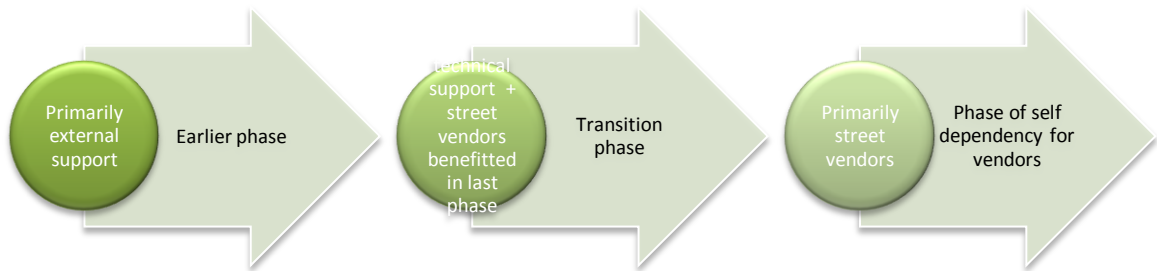
- **Management of bank credit, as this would involve a new mechanism involving formal institutions**
- **Developing a market for vending carts – this will require partnership with institutions engaged in design and manufacturing among others**
- **Municipal regulation and management of public places with separate provision for street vendors**

**Lessons for implementation and lead actors:** A strategy for evolving street vendors into micro entrepreneurs would need simultaneous participation from different actors and institutions- formal and inform. The implementation process should follow these principles while kick starting:

- i. **Criticality of civil society and NGOs** – finally, who is going to start this implementation process? To begin with, the vendors would be lost and require systematic facilitation. Given the sensitivity of the area, the task will have to be started at the initiative of dedicated NGO based on close cooperation with different actors.

Role of civil society is extremely and central to the process of strategy implementation for business expansion of street vendors, primarily because,

- State institutions have been unable to initiate such process till date
  - NGOs working for vendors’ cause have deep penetration into the community
  - Civil society or NGOs usually have been working for long time with the vendors and have their trust
  - NGOs already have an established network due to their advocacy activities, which can be utilized for this purpose. ***In fact, civil society in visible terms has preferred to engage with advocacy and rights for street vendors. There is huge potential for them to utilize their edge and expand their domain to include mobilization for business growth and promotion of micro entrepreneurship among street vendors.***
- ii. **Strategic partnership** – among organizations and NGOs sharing interest areas, vending association, street vendors, government industries’ department, MSMEs, banks, micro and small capital service providers, formal business institutions, bodies and so on.
  - iii. **Aligning with Corporate CSR** – even of medium sized, should be partnered, wherever possible, through their CSR ventures, at least in the beginning phases.
  - iv. **Street vendors at the forefront-** 100% consultation with eligible street vendors should be consistently made and supporting individual or NGO must act to represent them, that too only in their presence. Street vendors should be completely accountable for what they are doing.



### Phasing out towards maturity of process

- v. **Piloting and phase out** – implementation should start at pilot level – as done in the present case- involving only those street vendors, who are identified as eligible by the process discussed earlier. Lesson learnt can be utilized to feed in another round of the process. Support to street vendors must be phased out with those benefitted in the first round gradually taking the lead in facilitating the process for other street vendors.