
FINANCING MODELS FOR THE STREET VENDORS' ACT, 2014 – CASE OF NON-PROCESSED FOOD MARKET, VADODARA

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Abstract: A major segment of self – employed workers of urban population and an integral component of the Indian urban economy are Street Vendors. The Street Vendors' Act 2014 is an attempt to legitimate this activity as trading for livelihood is the fundamental right in the Indian constitution. Financial plan is necessary to know the required fund and the available resources for the effective implementation of the Act. The study attempts to obtain viable options to finance the development of markets for the various type of vending activities. Case of non-processed food Market, *Gorva, Vadodara* city has been potentially identified for the development according to the Act. Hence a cost estimate has been prepared for development of a market at two levels, first the initial construction level and second, yearly maintenance level. Further five types of financing models have been prepared with the income-expenditure analysis. The fund for financing such project can be availed firstly through, BOT (Built-Operate-Transfer) model. Secondly, vendor's co-operative association can build market themselves. Thirdly, combined financing can be done by CSR (Corporate Social Responsibility) and Municipal Corporation self funding. Fourthly, combined financing by BOT and Municipal Corporation can be done. Fifth model is financing only by the Municipal Corporation from its own surplus and grants under various government schemes. Research would give direction for the ground level implementation of the Act. The evolved methodology and outcomes could be used to benefit the society by replicating it elsewhere contextually.

Keywords: Participatory Approach, Self-Sustenance, Stakeholders.

Introduction: The Informal sector is also growing with urbanization. A major segment of self – employed workers of this sector are Street Vendors. The significance of employment provided through hawking increases if we consider the fact that they sustain certain small scale industries by providing markets for their products. Formalization of street vendors, can also contribute in revenue collection by local authorities. Thus it can also help increase GDP. The Street Vendors' (Protection of livelihood and regulation of street vending) Act 2014 is an attempt to legitimate this activity as trading for livelihood is the fundamental right in the Indian constitution. But, thorough implementation at grass root level is hardly done. Various resources to pull the fund for the initial construction and the maintenance are derived furthermore; the viability is proven with different financing models. A street vendor is a person who offers goods for sale to the public without having a permanent built up structure but with a temporary static structure or mobile stall (or head loaded).

Identification of the potential site: From the inventory of the locations of the non-processed food markets in *Vadodara* city, need of the specific framework for this type of vending activities has been determined. From the inventory the locations having the concentration 30 or above in the particular activity are selected. The selection of one potential market has been done by the weighted matrix method consisting three criteria- concentration, influence and conflicts and respectively given weight age of 10, 30 and 60%. Non-processed food market, *Gorva* is getting highest scores and identified.

Non-Processed food item market at Gorva:

Description: *Gorva* vegetable market is 28 year old located in the northern part of *Vadodara* city. The old market had been obstructing traffic on the one way road. The market has been relocated near *Gorva* Lake in January 2013. The new allotted area is about 0.4 kilometer from the old location. Total 180 vegetable vendors of this market are static and have been vending for 10 hours a day. Vendors of this

market have an association and have been fighting for their rights and a suitable permanent solution for their accommodation. Since the market has a high concentration of vendors, influencing the whole ward along with conflicts regarding specific space, inadequate infrastructure, traffic hindrances, etc., it has become a live issue in the city having the highest score by weighted matrix method among all non-processed food concentrations of the city. The implementation of street vendors' Act on this market can be replicated elsewhere in the city for the concentration of the vendors of similar typology.



Figure 1: Location of the Gorva Market

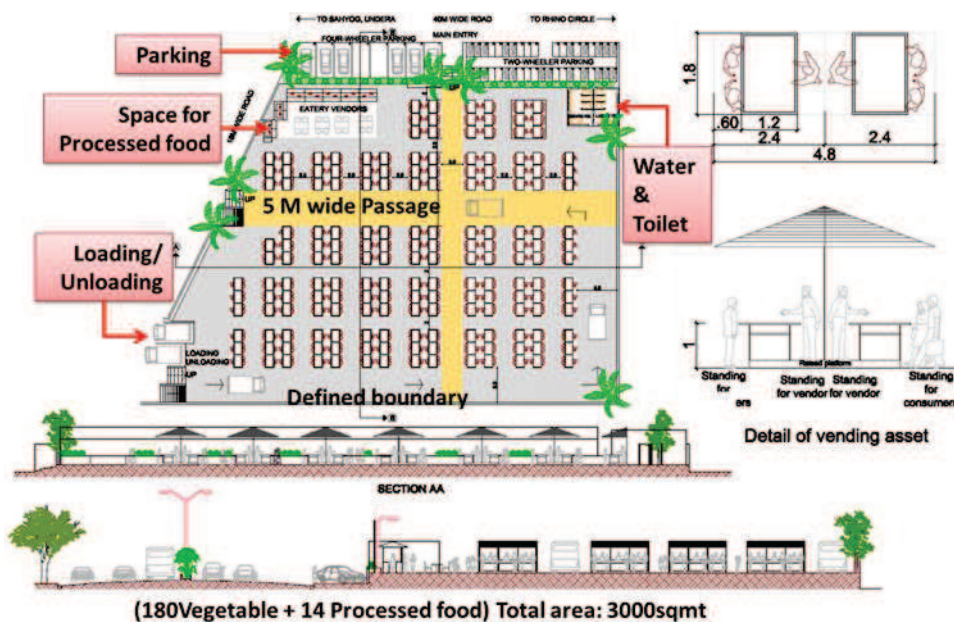


Figure 2: Spatial Plan for The Market

Financial Plan: After allocation of the suitable land and spatial planning of the market, financial plan is necessary to know the required fund and the available resources for the implementation.

1. Financing by BOT Method: Development of vending market can be done by Built-Operate-Transfer method in which, tender may be invited by the corporation. Corporation shall provide land to the private investor and shall give him rights to build and operate the market as per the minimum requirements prepared in physical plan. Investors shall have to pay land rent to the corporation every year. Vendors shall have to pay monthly rent to the investor and all other profit rights shall be given to the investor only.

2. Financing Vendors' Association by Taking Loan: In the case, where BOT model may not be applicable, vendors' association can avail loan from nationalized banks, micro-finance institutions or grant under various government schemes (ex. *Swarnim Jayanti Shaheri Rojgar Yojana*) and develop the market themselves. They shall have to pay land rent, the revolving fund to corporation and the loan. All the other income rights are to be given to the vendors' association only as it is the developer.

3. Financing by CSR and Municipal Corporation: According to section 135 of The Companies Act, 2013, the companies having net profit of INR 50 million or more during one financial year have to comply with the CSR provisions as laid down under the act. It is made mandatory to the companies to spend 2% of its profit in CSR activity in the local and surrounding places of the location where it operates. There are more than 100 companies around *Vadodara* city having net profit of INR 50 million or more in one financial year, such companies can fund through CSR for various social projects, in the city, on which one can be establishment of vendors market.

Proposal for CSR Cell: Municipal Corporation shall have to establish the CSR cell with the minimum staff of three persons. This CSR cell shall have to prepare the list of the companies in and around *Vadodara* city having profit of more than INR 50 million per year. The CSR cell shall have to prepare the list and details of different social projects in the city. Marketing of various social projects has been done in to those companies to encourage for funding in CSR depending on the amount. Since, development of vendors market has been considered an essential social project as per the Street Vendors' Act, 2014 CSR can be considered as one of the finance pulling option.

4. Financing by BOT and Municipal Corporation: Partial financing by the BOT and another partial by the Municipal Corporation from its own surplus and/or through government grants can be done for the development of vending markets. Partial financing by the BOT and the Municipal Corporation from its own surplus and under various government grants can be done for the development of vending markets. For this model, 25% of financing will be done by the Municipal Corporation and 75% from the private investor by inviting tender. Profit rights shall be shared between the both financing agencies.

5. Financing by Municipal Corporation: In cases where the area is not highly developed and no other model may be applicable, it shall be advisable for the Municipal Corporation to develop the market from its own fund and the grants from government schemes.

Common Methodology for All Financing Models: As the government land is the common good of all the citizens, can be rented to the developer by the Municipal Corporation without any ownership right for the development of vending markets. Rent of the land shall have supposed to be 8% of the Jantri rate of the year of construction which will increase by 15% after every three years. Developer shall have to bare main expenditure of the initial construction cost and the yearly maintenance cost of the market. The income can be generated from solid waste management, advertisement rights and CSR which can vary according to the type of vending activity, size of market and the location.

The vendors shall have to pay a fixed monthly amount as the rent to the developer which will increase by 15% after every three years.

1. In case of internal or less developed areas where advertisement is not possible or fewer amounts are obtained, the rent of vendors may increase or the corporation might have to give subsidy on land rent.
2. Income may also increase by 15% but, the models are conservative so income kept constant.
3. Solid waste management prices may go up but, the models are conservative so income kept constant.
4. Advertisements prices have been sure to go up cause more and more customers likely to come but, kept constant.

For the income –expenditure analysis of all the markets, the land rates have been taken from *Jantri, Vadodara* 2011. 60% increase on the 2011 rates considering every year till 2018. 12% compound interest considered for the income expenditure analysis. 10% yearly increase of operation and maintenance cost

has been considered. The income from advertisement, solid waste management and CSR has been derived after the discussion with the respective professionals of particular field. Amount of rents are derived from the sample survey of the markets depending upon the vending activity.

As per the below cost estimate, the initial construction cost of development of Gorva vegetable market is Rs. 1, 53, 00, 000 and yearly maintenance cost is Rs. 4, 68, 000.

Major Findings from Site Survey:

- Investment /Day: Rs. 3000 to 3500
- Earning/ Day: Rs4000 to 45000
- Expenses for services as electricity and cleaning, security/ Day: Rs. 10
- Ready to pay Rs. 3000/ Month for the organized space

Financing Models Income-Expenditure Analysis: Approximate income- expenditure analysis through five options of financing as discussed in 6.2.2 for this location is as follows. In all the options the breakeven or the payback value is achieved in the sixth year. The general considerations for all financing models, as mentioned at sub-section 6.2.3 have been applied for this location.

Financial Plan:

TABLE 1: PROJECT COST-ESTIMATION FOR NON - PROCESSED FOOD MARKET AT GORVA					
Sr. No.	Description	Quantity	Rate (in Rs.)	Unit	Amount (InRs.)
1	2	3	4	5	6
Initial Construction					
1	Asset for sell (180 Nos.) (Area : 4.32 Sq.M. each)	778	10000	Sq.M.	7776000
2	Asset for processed food (14 Nos.) (Area : 4.5 Sq.M. each)	63	10000	Sq.M.	630000
3	Providing parking area with required thickness of kota stone flooring with concrete base, etc. (Compacted)	340	1000	Sq.M.	340000
4	Providing paver block flooring with sand base, etc.	1584	800	Sq.M.	1267200
5	Toilet block (3x2= 6Nos.)	40	10000	Sq.M.	400000
6	Selected earth in overall ground @ 1 meter average height, and compacted as required. (3200 Sq.M.x1 M. =3200 Cu.M.)	2466	400	Cu.M.	986400
7	Compound wall & gate, steps etc. (315 R.M.)	193	3500	R.M.	675500
8	Total construction cost (Summation of sr. no. 1 to 7)				12075100
Infrastructure					
10	Add electricity (pols, internal electrification and transformer)5 % of total construction cost				603755
11	Add water supply and sanitary work 15 % of total construction cost				1811265
	Total developmental cost (Summation of sr. no. 8 to 11)				14490120
Others					
	Add 3 % contingency of total developmental cost.				434704
	Add 2 % of total developmental cost as administration charge for engineers, etc.				289802
	Grand total of project cost				15214626
	Hence, total project cost (rounded up)				1,53,00,000/-
	Cost per asset				78426
	Hence, cost per asset (rounded up)				80,000/-

Maintenance					
Sr. No.	Description	Quantity	Rate (in Rs.)	Cost/Month (in Rs.)	Cost/Year (in Rs.)
1	2	3	4	5	6
1	Security (2 persons, 2shift)	4	6000	24000	288000
2	Electricity		10000	10000	120000
3	Cleaning / swiping (2persons)	2	2500	5000	60000
	Total maintenance cost				468000
Sr. No.	Summary Cost/Year (in Rs.)				
1	Capital expenditure		15300000		
2	Maintenance per year		468000		
	Total expenditure per year		15768000		

1) Financing by BOT Method

Table 2 Income - Expenditure analysis of financing by BOT method – non-processed food market

Sr. No.	Activities	Investment (in Rs.)						Profit (in Rs.)			
		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Expenditure	1 Initial construction capital expenditure	15300000	11782400 (from Sr. No. 12 of Year 1)	9725488 (from Sr. No. 12 of Year 2)	7642893 (from Sr. No. 12 of Year 3)	4909915 (from Sr. No. 12 of Year 4)	1880170 (from Sr. No. 12 of Year 5)	0	0	0	0
	2 Interest on capital expenditure (12% compound interest)	0	1413888	1336725	1077554	718496	311840	0	0	0	0
	3 Maintenance Cost	468000	468000	514800	566280	622908	685199	753719	829091	912000	1003200
	4 Increase on maintenance (10%/year)	0	46800	51480	56628	62291	68520	75372	82909	91200	100320
	5 Land rent to corporation for revolving fund for development of other markets (increase 15% after every 3 years)	3300000	3300000	3300000	3795000	3795000	3795000	4290000	4290000	4290000	4785000
	6 Total expenditure (sum:Sr. No. 1 to 5)	19068000	17011088	14928493	13138355	10108610	6740729	5119091	5202000	5293200	5888520
Income	7 Internal fund: Rs.2700 to 3900 / Month/ Vendor (increase 15% after every 3 years)	6285600	6285600	6285600	7228440	7228440	7228440	8171280	8171280	8171280	9114120
	8 Advertisement (Main developer / Other company)	700000	700000	700000	700000	700000	700000	700000	700000	700000	700000
	9 Solid waste management	300000	300000	300000	300000	300000	300000	300000	300000	300000	300000
	10 Fund remaining from last year	0	0	0	0	0	0	1487711 (from Sr. No. 12 of Year 6)	5539900 (from Sr. No. 12 of Year 7)	9509181 (from Sr. No. 12 of Year 8)	13387261 (from Sr. No. 12 of Year 9)
	11 Total Income (sum: Sr. No. 7 to 10)	7285600	7285600	7285600	8228440	8228440	8228440	10658991	14711180	18680460	23501381
	12 Investment Cost (Investment: Sr. No.6-Sr. No.11 Profit: Sr. No.11-Sr. No.6)	11782400	9725488	7642893	4909915	1880170	-1487710 (Breakeven)	5539900	9509181	13387261	17612862

2) Financing by Vendors' Association- by Taking Loan:

Table 3: Income - Expenditure Analysis Financing by Vendors' Association Method – Non-Processed Food Market								
	Sr. No.	Activities	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Expenditure	1	Initial construction capital expenditure	15300000	11782400 (from Sr. No. 11 of Year 1)	9725488 (from Sr. No. 11 of Year 2)	7642893 (from Sr. No. 11 of Year 3)	4909915 (from Sr. No. 11 of Year 4)	1880170 (from Sr. No. 11 of Year 5)
	2	Interest on capital expenditure (12%compound interest)	0	1413888	1336725	1077554	718496	311840
	3	Maintenance Cost	468000	468000	514800	566280	622908	685198
	4	Increase on maintenance (10%/year)	0	46800	51480	56628	62290.8	68519
	5	Land rent to corporation for revolving fund for development of other markets (increase 15% after every 3Y)	3300000	3300000	3300000	3795000	3795000	3795000
	6	Total expenditure (sum: Sr. No. 1 to 5)	19068000	17011088	14928493	13138355	10108610	6740729
Income	7	Internal fund: Rs.2700 to 3900 / Month/ Vendor (increase 15% after every 3 years)	6285600	6285600	6285600	7228440	7228440	5740729
	8	Advertisement	700000	700000	700000	700000	700000	700000
	9	Solid waste management	300000	300000	300000	300000	300000	300000
	10	Total Income (sum: Sr. No. 7 to 9)	7285600	7285600	7285600	8228440	8228440	6740729
	11	Investment Cost (Investment: Sr. No. 6 - Sr. No. 10)	11782400	9725488	7642893	4909915	1880170	0 (Breakeven)

3) Financing by CSR and Municipal Corporation:

Table 4: Income - Expenditure Analysis of Financing by Corporation and CSR Method – Non-Processed Food Market								
	Sr. No.	Activities	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Expenditure	1	Initial construction capital expenditure	1530000	10782400 (from Sr. No. 12 of Year 1)	8605488 (from Sr. No. 12 of Year 2)	6374093 (from Sr. No. 12 of Year 3)	3471003 (from Sr. No. 12 of Year 4)	1305596 (from Sr. No. 12 of Year 5)
	2	Interest on capital expenditure (12%compound interest)	0	1293888	1187925	907442	525413	219721
	3	Maintenance Cost	468000	468000	514800	566280	622908	685198.8
	4	Increase on maintenance (10%/year)	0	46800	51480	56628	62291	68520
	5	Land rent to corporation for revolving fund for development of other markets (increase 15% after every 3 years)	3300000	3300000	3300000	3795000	3795000	3795000
	6	Total expenditure (sum: Sr. No. 1 to 5)	1906800	1589108	13659693	11699443	8476616	6074035
	7	Fund by CSR	1000000	0	0	0	0	0
Income	8	Internal fund: Rs.2700 to 3900 / Month/ Vendor(increase 15% after every 3 years)	6285600	6285600	6285600	7228440	6171020	5074035
	9	Advertisement	700000	700000	700000	700000	700000	700000
	10	Solid waste management	300000	300000	300000	300000	300000	300000
	11	Total Income (sum: Sr. No. 7 to 10)	8285600	7285600	7285600	8228440	7171020	6074035
	12	Investment Cost (Investment: Sr. No. 6 - Sr. No. 11)	10782400	8605488	6374093	3471003	1305596	0 (Breakeven)

Municipal Corporation can avail minimum fund of Rs.1000000 from CSR for the partial contribution of the developmental cost of the market.

- 4) **Financing by BOT and Municipal Corporation:** In partial financing by BOT and Municipal Corporation the breakeven is achieved on 5th year.

Table 5 Income - Expenditure analysis of financing by BOT and Municipal Corporation method – non-processed food market								
	Sr. No.	Activities	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Expenditure	1	Initial construction capital expenditure by BOT (75%)	11475000	8836800 (from Sr. No. 13 of Year 1)	7294116 (from Sr. No. 13 of Year 2)	5732170 (from Sr. No. 13 of Year 3)	3682436 (from Sr. No. 13 of Year 4)	1410128 (from Sr. No. 13 of Year 5)
	2	Interest on capital expenditure (12%compound interest)	0	1060416	1002544	808166	538872	233880
	3	Initial construction capital expenditure by Corporation (25%)	3825000	2945600 (from Sr. No. 13 of Year 1)	2431372 (from Sr. No. 13 of Year 2)	1910723 (from Sr. No. 13 of Year 3)	1227479 (from Sr. No. 13 of Year 4)	470043 (from Sr. No. 13 of Year 5)
	4	Interest on capital expenditure (12%compound interest)	0	353472	334181	269389	179624	77960
	5	Maintenance Cost	468000	468000	514800	566280	622908	685198.8
	6	Increase on maintenance (10%/year)	0	46800	51480	56628	62290.8	68519.88
	7	Land rent to corporation for revolving fund for development of other markets (increase 15% after every 3 years)	3300000	3300000	3300000	3795000	3795000	3795000
	8	Total expenditure (sum: Sr. No. 1 to 7)	19068000	17011088	14928493	13138355	10108610	6740729
Income	9	Internal fund: Rs.2700 to 3900 / Month/ Vendor (increase 15% after every 3 years)	6285600	6285600	6285600	7228440	7228440	5740729
	10	Advertisement (Main developer / Other company)	700000	700000	700000	700000	700000	700000
	11	Solid waste management	300000	300000	300000	300000	300000	300000
	12	Total Income (sum: Sr. No.9 to 11)	7285600	7285600	7285600	8228440	8228440	6740729
	13	Investment Cost (Investment: Sr. No. 8 - Sr. No. 12)	11782400	9725488	7642893	4909915	1880170	0 (Breakeven)

5) Financing by Municipal Corporation:

Table 6 Income - Expenditure Analysis Financing by Municipal Corporation – Non-Processed Food Market								
	Sr. No.	Activities	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Expenditure	1	Initial construction capital expenditure	15300000	11782400 (from Sr. No. 11 of Year 1)	9725488 (from Sr. No. 11 of Year 2)	7642893 (from Sr. No. 11 of Year 3)	4909915 (from Sr. No. 11 of Year 4)	1880170 (from Sr. No. 11 of Year 5)
	2	Interest on capital expenditure (12%compound interest)	0	1413888	1336725	1077554	718496	311840
	3	Maintenance Cost	468000	468000	514800	566280	622908	685199
	4	Increase on maintenance (10%/ year)	0	46800	51480	56628	62291	68520
	5	Land rent to corporation for revolving fund for development of other markets (increase 15% after every 3Y)	3300000	3300000	3300000	3795000	3795000	3795000
	6	Total expenditure (sum: Sr. No. 1 to 5)	19068000	17011088	14928493	13138355	10108610	6740729
Income	7	Internal fund: Rs.2700 to 3900 / Month/ Vendor (increase 15% after every 3Y)	6285600	6285600	6285600	7228440	7228440	5740729
	8	Advertisement	700000	700000	700000	700000	700000	700000
	9	Solid waste management	300000	300000	300000	300000	300000	300000
	10	Total Income (sum: Sr. No.7 to 9)	7285600	7285600	7285600	8228440	8228440	6740729
	11	Investment Cost (Investment: Sr. No. 6 - Sr. No. 10)	11782400	9725488	7642893	4909915	1880170	0 (Breakeven)

Conclusion: The model becomes viable with maximum 10years of rights. Since, the awarded work can be done through tendering; the tender which offers minimum time rights for the market may be selected. Suitability of financing model is dependent on the location where the market is going to be developed. The locations in the city can be categorized in four types as the high commercial developed area, medium developed area, area having average development, and the area having low or below the average development according to the population, economic class of the residents and availability of infrastructure and services. Table below shows the suitable financing model for the four categorized areas as discussed above.

Table 7: Suitability Analysis For Proposed Financing Models

Sr. No.	Location of implementation	Financing Model				
		BOT	Municipal corporation and CSR	Vendors co-operative association	Municipal corporation	Corporation and BOT
1	High Commercial development	Tender which offers minimum time rights				
2	Medium development	Tender which offers minimum time rights				
3	Average development			Vendors can take grant from some government schemes or loan from nationalized banks at lower interest rates		Partial investment by Corporation and BOT method can be done in such areas
4	Below Average development		Corporation can avail partial fund from CSR and finance the market		Corporation has to finance and develop markets in such area for the social benefits	

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