

Examining the Cognitive Abilities and Financial Literacy Among Street Entrepreneurs: Evidence From North-East, India

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Abstract : The study discusses the relationship between cognitive ability and the level of education attained by the tribal street entrepreneurs on their financial literacy. It is driven by the objective of examining the effect of cognitive ability on financial ability on the one hand and determining the effect of the same on financial literacy on the other. A field experiment was conducted on 203 tribal street vendors in the north-eastern Indian state of Mizoram. This experiment's calculations are conditioned by providing each question scores like math score (cognitive ability), financial score and debt score (financial ability). After that, categories for each of the variables, like math category (math score), financial category (financial score) and debt category (debt score), are generated to run the regression model. Since the dependent variable is ordinal, an ordered logit regression model was applied. The study shows that street vendors' cognitive and financial abilities are highly correlated. It, therefore, confirms that cognitive ability positively affects the financial literacy of street vendors through the increase in attainment of educational levels. It is also found that concerning the type of street vendors, regular street vendors are more likely to have better cognitive abilities than temporary street vendors. Additionally, street vendors with more cognitive and financial abilities gained better monthly profits and performed habits of bookkeeping. The study attempts to draw a particular focus on a set-up which is economically and socially marginalized in the Indian economy. Its finding contributes to understanding financial literacy in an understudied area and provides policy implications through inclusive financial systems solutions in an economy limited to tribal street vendors.

Keywords : financial literacy, education, street entrepreneurs, tribals, cognitive ability, financial ability, ordered logit regression.

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