

## Debt Portfolios of the Poor: The Case of Street Vendors in Cali, Colombia

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**Abstract :** The informal economy plays a significant role in the job market in Colombia. Cali, the third largest city in the country, is characterized by a high percentage of socially and economically vulnerable population groups who take part in the urban informal economy, with street vending as their primary source of income. This paper studies the socio-economic dimensions of street vendors in Cali. In particular, it examines why they are unable to capitalize on their comparatively high earnings and are not likely to escape poverty even though they usually profit from government welfare and tax evasion due to the non-regulated character of informality. The analysis of an observational study and two surveys with 637 and 300 participants show that street vending is a cash-based day-to-day activity. Since most of the street vendors do not have access to formal banking systems, they depend on payday loans with incomparably high interest rates which absorb a large share of their income and maintain a continuous indebtedness. This is one of the main reasons why they are unable to improve their living conditions. However, the daily cash flow masks the high opportunity cost of loans and long-term deficits.

**Keywords :** Colombia, informal economy, payday loans, street vendors

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