Rickshaw Bank: A life line of India

Guwahati, Marigaon, Nowgaon, Mirza etc., India
Dr. Pradip Kuma...

Organization type:
nonprofit/ngo/citizen sector
Project Stage:
Established
Budget:
$100,000 - $250,000
Website:
http://www.crdev.org

- Eco Products
- Corporate social responsibility
- Employment
- Energy
- Green business
- Sustainability
- Urban

Project Summary

Elevator Pitch

Concise Summary: Help us pitch this solution! Provide an explanation within 3-4 short sentences.

Rickshaw Bank provides a means of self-employment to the poor and the marginalized rickshaw community by offering a “rent-to-own” financing option for rickshaws.

About Project

Problem: What problem is this project trying to address?

There are currently an estimated 10 million rickshaw drivers in India. Cycle rickshaw drivers are amongst the poorest employed urban dwellers, with typical incomes of Rs. 50 – 80 per day (1– 1.6 USD), well within the target demographic of the first UN Millennium Development Goal. Many are migrants to the cities, and as such have no support networks and limited options for shelter. These rickshaw pullers bear the burden of low wages and subhuman living conditions. Because they don’t own their rickshaws (95% of rickshaw pullers hire their rickshaw on daily rental basis), much of their earned income is taken up with the next day’s rental fees. The work is extremely physically taxing, but requires no formal education. These Pullers are providing critical last mile transportation services.

Solution: What is the proposed solution? Please be specific!

Rickshaw Bank provides an opportunity to the 8 million rickshaw pullers of India to own their own rickshaw. Based on the principle of micro-leasing, pullers are able to pay daily instalments on a “rent-to-own” plan, which lasts between 12-18 months. Rickshaw Bank provides a newly designed rickshaw (originally designed by the Indian Institute of Technology) that is lighter in weight, has an improved center of gravity, contains more luggage space, and has a canopy to cover both puller and passengers. In addition, Rickshaw Bank also provides a comprehensive package of insurance, licenses, uniform, and photo ID cards, to add dignity to their profession. More new cycle rickshaws are designed like momo cart, fruit cart, vegetable cart etc. and delivered to the poor people as a means of livelihood with the same Rickshaw bank modalities.

Impact: How does it Work

Example: Walk us through a specific example(s) of how this solution makes a difference; include its primary activities.
Rickshaw Bank project is the flagship activity of the CRD. The project was started in November 20, 2004 with the strategy of mobilizing poor rural migrants, urban poor and facilitating them with asset-based micro-finance package to have their dignified livelihood. The project is being recognized as an innovative one and well-acclaimed both at national and international level. The project provides an asset-based micro-leasing package of tricycle, insurance, license, uniform with the terms of reference of handing over the ownership to the tricycles after realizing the cost of the package at Equal Daily Installment within a year or half. Besides, Rickshaw Bank provides other services to the pullers – health checkup, fuel package (LP Gas with Stove), educational exchange programme for the children of the rickshaw pullers etc. Technical collaboration is made with Indian Institute of Technology (IIT), Guwahati and MIT, USA for designing and sophistication of different tricycles and carts like rickshaw, momo cart, Vegetable/Fruit Cart, Fish Cart etc. The newly designed rickshaw is having a bigger advertisement space on the back side and the is initially purchased by the Indian Oil Corporation, Hindustan Lever Limited and Oil & Natural Gas Corporation Ltd. under their corporate social responsibility programme. Later on, different banks like ICICI Bank, Punjab National Bank also financed through their on-lending mode. The Govt. of Assam also supported, providing incentives by subsidize the cost under the Employment Generation Mission.

Sustainability

Marketplace: Who else is addressing the problem outlined here? How does the proposed project differ from these approaches?

In all cases, Rickshaw Bank’s service was a more competitive offering for the Rickshaw Puller. Rickshaw Bank’s Primary Competitor Large Rickshaw Fleet Owners (LRFO) so called “Rickshaw mafia”: In a typical industry set-up, a rickshaw puller does not own the rickshaw, rather he takes it on rent. The rent is inclusive of the maintenance charge. The rent for the rickshaw differs from city to city and also upon the newness of the rickshaw. The rent for a rickshaw is almost equivalent to the amount charged by Rickshaw Bank as daily installment. Another concern is that competitors could easily imitate the new design of the rickshaw and manufacture it for sale. Though this may prove to be a threat to Rickshaw Bank itself, it will aid in the spread of technology and thus increase impact.

Team

Founding Story

It was a cycle rickshaw journey in Guwahati during 2002, usually I took. I often wondered how much the rickshaw "pullers" were earning. One day, while taking a ride, I asked one of them “Who owns your rickshaw?” He gave a name that was clearly not his own. He said he had been working for 16 years as a puller and was paying 25 rupees a day in rental, about 60 U.S. cents. As he talked, I began to understand more about the overall suffering and precarious living conditions of the rickshaw-pulling community. As I got out of the rickshaw and moved on to my own work, I forgot about it, but when I went to bed that evening, his words came back to me. So, I got up and took out my calculator. I could quickly see that the driver paid nearly half his earnings to rent his vehicle and had paid out, many times over, the cost of a rickshaw, roughly 6,500 rupees. For me this was a call to action. After doing some research among pullers, I founded the Rickshaw Bank in November 2004.

About You

Organization:
Centre for Rural Development (CRD)

First Name
Dr. Pradip Kumar

Last Name
Sarmah

Twitter URL
http://www.facebook.com/pradipkumar.sarmah.3

About Your Organization

Organization Name
Centre for Rural Development (CRD)

Country where this project is creating social impact
AS, Guwahati, Marigaon, Nowgaon, Mirza etc.

How long has your organization been operating?
More than 5 years

Has the organization received awards or honors? Please tell us about them
On September 13th, 2003 received the Citizen Base Investment Award at the Bombay Stock Exchange, Mumbai.
IIM, Bangalore selected Rickshaw Bank project under their Microfinance Incubation Programme, during November – December, 2005.
On April 5th, 2006 received the Global Change makers Award for Market-based Strategies that Benefit Low-Income Communities at National Press Club, Washington DC.
On April 7th, 2006 received the Microfinance Process Excellency Award at the Garden of Five Senses, Said-ul-Ajaib, New Delhi.
Please describe the goal of your initiative; outline what you are trying to achieve

Cycle rickshaws as modes of transport are common throughout India, resulting in tremendous potential for replication and impact. The Rickshaw Bank’s technology is to achieve its impact through the synergy of technical and financial innovations. Cycle rickshaws provide much-needed and valuable public services that reduce air pollution and climate change by avoiding emissions. The newly designed rickshaw and other carts are lighter, durable, decent look and comfortable to pullers and the passengers, to dignify their works with economic empowerment and own the assets in due course of time. Ultimately to create a national level platform that makes ease to the pullers with financial solution to the social security.

Which barrier(s) to financial inclusion does your solution seek to address? (select all applicable)
Physical and other accessibility obstacles that prevent communities from reaching financial services, The lack of affordable financial products tailored to the needs of underserved and excluded communities,

If you selected ‘other’ above, please specify which other barriers to financial inclusion your solution seeks to address:
For which underserved or excluded communities will your solution create access to valuable, affordable, secure and comprehensive financial services?
Cycle rickshaws as modes of transport are common throughout India, resulting in tremendous potential for replication and impact. Many other livelihoods in India depend on tricycle-like vehicles, such as vegetable and fast food vendors. There is potential to further other livelihoods as well by adapting them to a mobile, cycle-based vehicle, such as for the sale of books and periodicals, rag picking for recycling, mobile fast food, mobile sugarcane juice extracting cart, and the provision of beauty services and repair services to neighborhoods. Rickshaws are used in other countries as well.

Could your solution work in other geographies or regions? If so, where?
From an ideological perspective, and given its goal of reducing poverty and inequity among pullers, the Rickshaw Bank model meets technical stability, commercial viability and social impact. This becomes evident when each of these aspects is studied individually. Cycle rickshaws as modes of transport are common throughout India, resulting in tremendous potential for replication and impact. There are 73 urban areas in India with populations of over 0.5 million, and rickshaws are known to be especially common in ten states in India, including Bihar, UP, MP, Delhi NCR, Chhattisgarh, Orissa, Punjab,的部分 of Maharashtra. Many other livelihoods in India depend on tricycle-like vehicles, such as vegetable and fast food vendors. Rickshaw Bank has already expanded to nine major cities around India. The model has been replicated in cities like Allahabad, Varanasi and Lucknow with the local partners. Even there are more rickshaws in the South East Asia’s Countries.

If your solution is dramatically successful, how will things be different in 10 years?
In India for a middle class family getting a loan for purchasing a car or a two wheeler is not much difficult whereas getting finance for a rickshaw is mere dream for the Rickshaw Pullers. There will be an organization that the stakeholders will be the rickshaw pullers that provides all the solutions to the financial, technical and social problems of the rickshaw pullers community. In high traffic areas instead of stopping ply rickshaws car or motorized vehicle will be banned. There will be more cycle rickshaw friendly roads and “no cars zones.”

What will have had to have changed to make this happen?

As one of the largest rickshaw puller service providers in India, Rickshaw Bank has developed and honed its expertise in delivering high-quality, low-cost financial solutions to the rickshaw pullers sector. Currently in its eight year of operation, Rickshaw Bank delivered ownership to over 4028 clients and has a membership of over 7850 customers. With the partnership the number reached more than 30,000 families. Rickshaw Bank developed its deep understanding of rickshaw pullers market as a result of rendering thousands of hours of hands-on consulting, support and training hours to this segment. Rickshaw Bank also utilizes great amount of other nonprofits for providing rickshaw pullers with even more comprehensive services.

Rickshaw Bank achieves its impact by (1) helping Rickshaw Pullers to gain ownership over the vehicle (2) providing Pullers with package of additional service (insurance, cash loans, uniforms, license etc) which were not accessible to them before.

What is your projected impact over the next five years?
The rickshaw industry in India is highly unorganized. Although no exact market size of the industry is available, a conservative estimate puts the number of cycle rickshaws in India anything between 8-20 million, including both the passenger rickshaws as well as the peddle carts used to carry goods. There are several reasons why the rickshaws are gaining popularity as a mode of transport. Cycle rickshaws are “eco-friendly” and are used for ferrying passengers and goods for short distances.

We have made reasonable progress so far. For every problem, we have identified certain solutions and implementing it. Our journey has been based on a “bottom- to-top” approach. With the past learning by next five years time we want to reach another fifty thousand rickshaw pullers.

What barriers might hinder the success of your project? How do you plan to overcome them?

Providing finance to the unorganized people is very difficult. Rickshaw Bank has made a provision with the nationalized bank like Punjab National Bank for financing a rickshaw to the rickshaw pullers. Although the Bank has started financing a rickshaw still they are looking for a collateral guarantee. Once we can raise the fund equivalent to 25% of the cost we can leverage the finance to the tune of 100 %. The 25% amount is putting with the bank as First Loss Default Guarantee (FLDG) and thereby finance 4 times more to the rickshaw pullers. The generous donations or grant or cash prizes will be used to help improve Rickshaw Bank’s ability to provide loans regularly. Through First Loss Default Guarantee (FLDG), the program can leverage funds up to four times.

Winning entries present a strong plan for how they will achieve and track growth. Identify your six-month milestone for growing your impact

| Task 1 | Developing a better web side for putting more information about our journey so far. |
| Task 2 | Developing a mobile based technology for tracking of the daily event. |
| Task 3 | Undertaking a study on the status of the Rickshaw pullers in rickshaw dominated cities. |

Now think bigger! Identify your 12-month impact milestone

| Task 1 | Conducting an in-depth study on the rickshaw pullers of pan India. |
| Task 2 | Establishing a national platform with the rickshaw pullers for a holistic development of the sectors. |
| Task 3 | Making a complete social security and financial inclusion solutions for the Rickshaw Pullers community. |

Sustainability

Tell us about your partnerships

We are closely working with the various partnership like corporate ONGC,IOC, HLL; Donor agency AIF, Department of Science & Technology, Government Of India, Government of Assam, Punjab National Bank, UN Solution Exchange, Ashoka, AIESEC, Indian Red Cross, AFNA; educational institutes IIT, Guwahati, MIT, Boston, Olin College of Engineering, Northeastern University, Yale University, Guwahati Medical College, IIM etc.

Are you currently targeting other specific populations, locations, or markets for your innovation? If so, where and why?

No we are more focussed with the rickshaw pullers community only

What type of operating environment and internal organizational factors make your innovation successful?

Please elaborate on any needs or offers you have mentioned above and/or suggest categories of support that aren’t specified within the list

Source URL: https://www.changemakers.com/financialinclusion/entries/rickshaw-bank-life-line-india