

# Effect of Auto Ownership on Financial Well-Being of Auto Drivers - A Study Conducted Under Research Promotion Scheme of AICTE

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With increasing population and rapid urbanization, urban transport demand in India continues to grow. The public transport vehicles connect most parts of the city but do not penetrate the interior destinations. This has led the commuters to shift to intermediate private transport for daily commutes. Auto drivers play a very significant role in urban and semi urban local transport. They complement the services provided by public transport. But, the plight of the drivers is a matter of concern. Many people enter into this auto driving profession with hopes of earning a decent livelihood. Many auto drivers own the autos and many rent them. In this paper we have made an attempt to find the relative advantages of owning autos on their daily earnings. This paper also delves into the association between the auto ownership and possession of various financial products using Chi Square analysis. Based on our research we conclude that ownership of an auto has hardly boosted their daily earnings. However ownership of an auto has impacted on possession of few of the financial products such as bank account and life insurance. However the same cannot be said about other financial products such as medical insurance and debit/credit cards.

## INTRODUCTION

With increasing population and rapid urbanization, urban transport demand in India continues to grow. McKinsey & Company in 2010 reported that population in Indian cities is expected to increase by around 250 million in the next 20 years , bringing enormous growth in urban travel demand. It is projected that total daily passenger trips in 87 major urban centers in India will more than double from around 229 million in 2007 to around 482 million in 2031 (Ministry of Urban Development 2008). The number of registered vehicles across the country has increased tremendously. Bangalore alone has 5559730 vehicles (as on 31-3-2015) with around 30 lakh two wheelers, 11 lakh cars and 149944 auto rickshaws.

There is public transportation mechanism which caters to a majority of the travel requirements of people travelling within the city in addition to personal transport vehicles used by individuals. Though public transport vehicles connect most parts of the city, they do not penetrate the interior destinations. According to the National Urban Transport Policy (NUTP), launched in April 2006 by the Ministry of Urban Development, Government of India (MoUD, 2006), the deteriorating quality of public transport in many cities has led commuters to shift to intermediate private transport for daily commutes. Also, many people cannot afford private

vehicles. Auto rickshaws provide an intermediate public transport solution due to the advantages of flexibility, affordability, availability, safety and last mile connectivity.

Auto rickshaws cater to a wide cross-section of society, across age, gender and occupations, but largely belonging to middle/upper-middle and high income groups. They become an important mode of transport especially for those deprived of personal mobility, either because they are legally not permitted or do not know how to, and who do not or cannot afford private vehicles.

Para transit index, which measures the number of intermediate transport vehicles (Auto rickshaws, taxis and cabs) per population of 10,000 (Bangalore Mobility Indicators 2010-11) gives an indication about the growing importance of auto rickshaws in Bangalore.

Table: 1 Comparative statistics for the years 2011 and 2015		
Parameters	2015	2011
Bangalore city Population in 2015	10,178,000	8954594
Number of registered autos	149944	129818
Taxis and cabs	80204	41190
Para transit index	226.12	190
In 2008 Para Transit Index was 185		

As shown in the table, there is a positive shift in the para transit index from 185 in 2008 to 190 in 2011 and further increase to 226.12 in 2015. This shows that more and more people are engaging into auto driving as a profession. They start with the hope of earning a handful of income so as to be able to support their families. But do the drivers ever get into the financial mainstream is a question which remains unanswered. The present paper delves into the various aspects of financial sustainability, and to investigate whether owning an auto does any good to the financial well-being of the drivers.

## LITERATURE REVIEW

Aparna Bhat (2012) This paper discusses the procedure of setting fare of autos in Mumbai. It is trying to examine the political economy in this context. The paper also examines the validity of the reasons for imposing the regulations in the auto rickshaw system, and thus for the creation of the political economy.

S Subendiran (2014) This paper mainly focuses on understanding the socio-economic problems of auto-drivers in Palani and to understand and identify the explicit and implicit causes of stress / erratic inhospitable behavior Study the role of social-organizations in uplifting the living standards of the auto-drivers. They are trying to understand the entire ecosystem for this segment of the society. They very clearly have demonstrated positive correlation between stress and other factors such as debts, financial awareness etc.

Subhashree Natarajan and T.K.T Sheik Abdullah (2014) -

This study concentrates on the current socio-economic condition of auto rickshaw drivers, the prospects and problems encountered by the stakeholders and the role of social organizations in transforming the lives, at large, in Chennai. The study has not taken into account the ownership of autos operated and number of dependents. The author is relating the economic crunches to the stress levels and their behaviour.

Ms. Radha Chanchani, Ms. Fagun Rajkotia, et al., in their study titled A Study of the Autorickshaw sector in Bangalore City: Suggestions for Improved Governance. Bangalore: Indian Institute of Science- (2012) This report is a comprehensive one, covering all the aspects of this sector in Bangalore. The daily operating economics of auto driving has been studied elaborately. The calculation given in this paper depicts that the owner of an auto will approximately earn 50% more than the person who

drives a rented auto in case of a two stroke auto. However incase of 4 stroke autos the owners earn 40% more than the drivers who rented the autos.

While most of the studies have focused on fare setting, health issues and financial awareness, not many studies have considered the issues of financial well-being of auto drivers. The current study is an attempt to focus on relationship between ownership of the auto and financial condition of the auto drivers.

## RESEARCH DESIGN

### A. Objectives of the Paper:

1. To draw an insight into the criteria for considering auto driving as a profession.
2. To delve into the daily economics of auto drivers.
3. To investigate the association between the ownership of auto rickshaw and possession of financial products such as bank account, life insurance, and medical insurance and debit/credit card.

### B. Data collection and analysis

The primary data for the study was collected by administering schedules to 300 auto drivers in Bangalore, out of which 255 were complete and suitable for analysis.

Descriptive analysis was used to understand the criteria for considering auto driving as a profession and to understand the daily economics of auto drivers.

Chi-square analysis was applied to investigate the association between ownership of auto rickshaw and possession of financial products among Auto drivers.

### C. Operational definition

Financial well-being is measured by the auto drivers' earning and savings ability, ownership of auto,

having a bank account, life insurance, medical insurance and their owning of debit/credit cards.

### D. Hypotheses

The following hypotheses were tested.

Hypothesis 1: The drivers who own auto earn more in a day (In other words, auto ownership and earnings per day are associated)

Hypothesis 2: The drivers who own auto have bank accounts (In other words, auto ownership and possession of bank accounts are associated)

Hypothesis 3: The drivers who own auto possess life insurance policies (In other words, there is association between auto ownership and possession of life insurance.)

Hypothesis 4: The drivers who own auto possess medical insurance policies (In other words, there is association between auto ownership and possession of medical insurance.)

Hypothesis 5: The drivers who own auto possess debit/credit cards (In other words, there is association between auto ownership and possession of debit/credit cards.)

### E. Limitations:

We collected data from 300 people and only 255 of them were fit for analysis. The sample size is not large enough to generalize to the population. The responses from the Auto drivers are considered to be true and final.

## RESULTS AND DISCUSSIONS

Key findings:

- Out of 255 auto drivers, 51.2 percent belong to the age group 26 to 40 years.
- 71.9 percent of them are educated up to SSLC or less.
- The majority of the drivers (82 percent) are married.

- 46 percentage of the sample have over ten years of experience of driving Auto-rickshaws.
- 51 percentage of these drivers agreed that the 'self-employment' feature of this profession attracted them the most.
- 44 percent of them are satisfied with the profession they have chosen.
- Another important point to be noted is that 92 percent of the samples do not have any other alternate source of information and income from autos is the only source of income.
- 64 percent of the drivers have their own Auto Rickshaw and 29 percent of the people who have rented their Autos pay Rs. 150/- per day.
- 36 percent of the drivers earn only 200 to 400 rupees day. 38 percent of the Drivers earn around 400 to 800 rupees per day. However, 19.4 percent of people earn between 800 to 1200 rupees and only 4 percent of drivers even earn up to 1500/- rupees per day.
- 69 percent of the drivers are able to save their earnings for their future requirements and 28.7 percent of them are able to save between 1000 to 3000 rupees.
- A good 54.3 percent of the drivers drive auto for 9 to 12 hours in a day and 39.9 percent of them are able to serve 10 to 20 customers in a day. 34.5 percent of the people even serve 20 to 30 customers also.

The results of hypothesis testing are presented under:

### F. Chi Square analysis

Table 2: Association between Average earnings and rented/own auto				
Particulars	Range	Auto Ownership		Total
		Own	Rented	
Average earning per day	200-400	63	32	95
	400-800	61	37	98
	800-1200	29	21	50
	1200-1500	11	1	12
Total		164	91	255

Table 3: Chi-Square Test			
Statistic	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	5.129a	3	.163
Likelihood Ratio	6.085	3	.108
N of Valid Cases	255		

Among 255 drivers who were surveyed, 164 owned auto rickshaws and 91 drove rented autos for a living. Most of the drivers earned 200 to 400 rupees per day and a good number of people even earned from 400 to 800 rupees also. A small number of the drivers earned from 800 to 1200 and a handful of them even earned up to 1500 as well. But when compared, similar pattern is observed among drivers of rented autos and own autos. ( $\chi^2=5.129$ ,  $df=3$ ,  $p=0.163$ ). Hence the association between the ownership and average earnings per day is not significant.

Thus we can conclude that ownership is not advantageous for the driver in improving his daily earnings.

Table 4: Association between Auto Ownership and possession of Bank account				
Particulars		Auto Own or rented		Total
		Own	Rented	
Bank account	No	31	35	66
	Yes	133	56	189
Total		164	91	255

Table 5: Chi-Square Tests			
	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	10.293 <sup>a</sup>	1	.001
Likelihood Ratio	10.030	1	.002
N of Valid Cases <sup>b</sup>	258		

Among 255 drivers who were surveyed, 164 owned auto rickshaws and 89 drove rented autos for a living. Among the auto owners, as many as 133 drivers do hold a bank account and 31 of them don't. Among the rented auto drivers, out of 91 drivers, 56



of them have a bank account and 35 didn't have the same. ( $\chi^2 = 10.293$ ,  $df = 1$ ,  $p = .001$ ). Thus we conclude that ownership of auto is significantly associated with possession of bank account. One of the reasons for this strong association could be the requirement by financial institutions to sanction loans for the purchase of autos.

**Table 6: Association between Auto Ownership and possession of Life Insurance**

Particulars		Auto Own or rented		Total
		Own	Rented	
life insurance	No	89	75	164
	Yes	75	16	91
Total		164	91	255

**Table 7: Chi-Square Tests**

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	19.912 <sup>a</sup>	1	.000
Likelihood Ratio	21.126	1	.000
N of Valid Cases <sup>b</sup>	255		

Among the auto owners, 75 persons possessed a life insurance policy, whereas 89 of them didn't. Among the rented auto drivers only 16 of them possessed a life insurance policy and as many as 75 of them didn't have a policy. ( $\chi^2 = 19.912$ ,  $df = 1$ ,  $p = 0.000$ ). Hence we conclude that association of auto ownership and possession of life insurance is strong and significant. The reason for this association could be financial prudence among auto owners (which led them to own an auto then drive a rented auto).

**Table 8: Association between Auto Ownership and possession of Medical Insurance**

Particulars		Auto Own or rented		Total
		Own	Rented	
Medical insurance	No	140	81	221
	Yes	24	10	34
Total		164	91	255

**Table 9: Chi-Square Tests**

Statistic	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1.241 <sup>a</sup>	1	.265
Likelihood Ratio	1.284	1	.257
N of Valid Cases <sup>b</sup>	255		

Among the auto owners only 24 people possessed medical insurance and 140 of them didn't have a medical policy. Among the rented auto drivers, only 8 people had and 81 didn't have medical insurance. ( $\chi^2 = 1.241$ ,  $df = 1$ ,  $p = 0.265$ ). We can conclude that there is no association between auto ownership and possession of a medical insurance. Not many auto drivers have medical insurance and that makes them vulnerable in times of ill health and hospitalization. This is true for both owners of auto and those who drive rented autos.

**Table 10: Association between Auto Ownership and Possession of Credit/Debit cards**

Particulars		Auto Own or rented		Total
		Own	Rented	
Debit/Credit Cards	No	152	85	237
	Yes	12	6	18
Total		164	91	255

**Table 11: Chi-Square Test**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	0.178	1	.673
Likelihood Ratio	0.181	1	.671
N of Valid Cases <sup>b</sup>	255		

Among the auto owners, as many as 152 drivers did not possess debit/credit cards and only 12 possessed the same. Among the respondents who rented the auto, only six out of 91 possessed debit/credit cards. The difference between drivers in debit/credit card possession based on auto ownership was insignificant ( $\chi^2=0.178$ ,  $df=1$ ,  $p=0.673$ ). Thus, we conclude that auto ownership has not contributed in debit/credit card ownership. Auto drivers may not be possessing Debit/Credit cards as they may not be

aware of the benefits or may not have bank accounts in the first place. However, this is a matter which can be taken for further investigation.

## Suggestions

Financial well-being is measured by the auto drivers' earning and savings ability, ownership of auto, having a bank account, life insurance, medical insurance and their owning of debit/credit cards. The current study reveals that auto drivers lacked in possession of most of these facilities/documents. Based on the findings of the study and the discussions we had with the drivers and their associations we suggest the following:

- Reasons for auto drivers for not having an account could be lack of awareness and absence of evidential documents. Mass drives like Jan Dhan Yojana can help to create awareness and open bank accounts.
- More campaigns can help in creating awareness about benefits of life insurance and medical insurance. So that more people can buy insurance.
- Possession of bank account is mandatory to avail the benefits of insurance and other services. Hence opening a bank account is the first step towards owning other financial products.
- Possession of debit/credit cards indicates the awareness of the auto drivers about the product and related advantages. This financial product knowledge gives them additional confidence and helps in better planning and management of their earnings and savings leading to asset (auto rickshaw in this case) ownership. Most of the auto drivers do not have debit/credit cards. Debit card is given to customers as additional feature to bank account. Hence first step to financial awareness and planning is possession of a bank account.

By ensuring the possession of the above said financial products, we can bring them under the umbrella of financial inclusion. By doing this we can help them to lead a better life.

## CONCLUSION

Auto drivers play a very significant role in urban and semi urban local transport. They complement the services provided by public transport. But, the plight of the drivers is a matter of concern. Their annual incomes are around 152,000 per annum in case of own auto and 136,000/- (as per the 2012 IISc study) in case of rented autos. Auto Rickshaw drivers come from economically backward class of the society and most of them found to be educated up to SSLC or less. It is strongly felt that the incomes of the drivers are marginal. Their savings are insufficient and average earnings are just enough to meet both the ends meet. With around five dependents vying for a share of their earnings, it looks almost impossible that there will be any positive transformation in their lives for years to come. They are not in a position to include themselves, into the financial mainstream by taking the benefits of various financial instruments like life insurance, medical insurance, Bank account and debit/credit cards.

Based on our research we could say that ownership of an auto has hardly boosted their daily earnings. However ownership of an auto has impacted on possession of few of the financial products such as bank account and life insurance. This association between possession of bank account, life insurance and auto ownership could be because of the awareness among the drivers about life insurance and mandatory requirement of bank account for loan disbursement by banks for purchase of auto rickshaws. However the same was not true for other financial products such as medical insurance and debit/credit cards. The reasons could vary from 'not being aware of' to 'no interest', or 'not needed'. The other question which needs to be addressed is their ability (or otherwise) to face and overcome the challenges due to medical and other financial emergencies.

This study has thrown some light on the financial wellbeing of auto drivers. However the reasons behind possession or non-possession of some

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financial products still remain unexplained. This area can be considered for further research.

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### BRIEF PROFILE OF THE AUTHORS

**Anitha Ramachander**, PhD is having an experience of over twenty years in the conceptualization, development and deployment of solutions. She has been successful in managing the entire gamut of management education. She was instrumental in establishing several institutions and introducing various courses as tie-up programs. She has

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