

# RE-IMAGINING HIRED TRAVEL CAR INDUSTRY IN INDIA

## Abstract

*Indian economy is growing at a rapid pace and with that the living and working styles of people are also changing with consequent need for travel. The online taxi services market in India is more or less oligopolistic due to presence of a few cab aggregators. There is a need to convert this oligopolistic market into a competitive market with involvement of people at large. The proposed co-operative model for the travel car services in India is a revolutionary idea which can catalyse the growing economy as travel and movement of people is a critical aspect of any developmental process.*

## THE PERSPECTIVE

**I**ndian economy is growing at a sustainable pace and with that the living and working styles of people are also changing with consequent need for travel. Given the present average income levels in the country everyone cannot afford to own a personal vehicle and thus people have to depend upon hired taxis for travel to various places.

The online taxi services market in India was valued at INR 30.72 billion in FY 2020 and is predicted to increase at a CAGR of 12.93 percent between FY 2021 and FY 2025, reaching INR 55.15 billion by FY 2025. Ease of availability, access and low travel cost rates give customers the desired flexibility and comfort while generating revenue for auto/finance/taxicab companies and job possibilities. *Taxis play an important role as a mode of transportation for many people in different cities in India.* The cab aggregators have recently changed the market and addressed all the major problems like the availability of the cabs at right time, behaviour of the drivers, security and tracking the vehicles using the technology.



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## STRUCTURE OF TAXI INDUSTRY IN INDIA

In Indian taxi Industry is divided into organized and un-organized business. Many individual vehicle owners who also possess commercial licence started cab services in smaller cities of the country as unorganized business venture. Organized segment comprises of large cab aggregators with structured processes including trained drivers and well set up office with high leverage of relevant technology. Organized rental cab in India was introduced in 2004 with MERU but the real significant structural change came in 2010 with the Internet / mobile app-based cab aggregators entering the market which made easy availability of rental cab and convenient travel at an affordable cost a reality.



The growth of cab aggregation industry to a large extent can be attributed to the evolution and fast growth of information technology and IT enabled services industry which brought in the shift culture of work where employees were required to commute at various odd hours of the day. The growth was also fuelled by the swift and broad penetration of internet and mobile phones in India over the last few decades.

**CURRENT SCENARIO AND ISSUES**

In view of the emerging opportunities in Indian economy driven by vast opportunities many cab operators are getting into this business with the pack being currently led by Ola and Uber which have established a robust brand and position for themselves and other players are making all efforts to cope up and garner a reasonable market share.

**ISSUES**

**(a) Aggregator Perspective**

- ⊙ **Non availability of cab:** The demand for hired cabs is rising and many times the aggregators are not able to meet the demand of customers due to non availability of vehicle at a particular time / place.
- ⊙ **Scarcity of Resources :**The cab aggregators lack adequate resources for providing efficient services to the customers such as non -availability of trained drivers and inability to provide professional behavioural training to them leading to complaints from the customers
- ⊙ **Slower Data Connection :**The mobile and internet service quality at times does not allow a customer to use the hired cab services easily and that leads to unfavourable effect on the

industry as a whole

- ⊙ **Lack of proper regulatory laws:** There are no uniform regulations governing the working of cab aggregators in India across various states.
- ⊙ **App crashes:** Sometime the app crashes due to rush of customer bookings at the same time
- ⊙ **Cash Burn:** Both Ola and Uber are offering huge discounts and other incentives to the drivers and the customers leading to cash burn
- ⊙ **Increased Operating Costs:** There has been an increase in operating costs due to rising fuel cost and other initiatives taken by the companies to attract customers.

**(b) Customer Perspective**

- ⊙ **Booking by App only:** The cab customers who do not possess a smart phone or

some other high end mobile phone are facing problems in booking and using the services provided by cab aggregators

- ⊙ **Surge / Higher pricing:** These companies are charging higher prices during peak hours. This is called surge pricing. Customers feel cheated due to high cab charges levied by aggregators at certain times of the day.
- ⊙ **Pre-bookings not honoured:** Many a times pre bookings are not honoured by the aggregators due to non-availability of vehicle / driver which creates problems for the customers
- ⊙ **Service Rejections / Driver denials:** Many a times the cab does not arrive at the required location after booking confirmation and the booking is subsequently cancelled due to various reasons
- ⊙ **Pick up guidance:** Cab takes a longer than expected time to reach the pick up destination as the driver is not familiar with the GPS and thus not able to navigate properly
- ⊙ **Hygiene:** There are instances of complaints from the customers regarding cleanliness and hygiene issues while they used the cab services

### ROLE OF GOVERNMENT

Current Indian aggregator taxi market more or less is in oligopolistic state due to presence of a few cab aggregators. There is an urgent need to convert this oligopolistic market to a competitive market with involvement of people at large.

In this oligopolistic travel car service market the role of the Government is very vital. The

market is huge and the number of beneficiaries befitting from Government intervention are also going to be very large. We suggest that the Government to provide efficient, reliable and cost effective solution through co-operative model. It shall perfectly fit into twin goals of the Government - 'Expansion of Co-operative movement' and 'Make in India'.

The Indian Government has huge digital capabilities which have been very effectively leveraged during corona epidemics. India has NavIC, GPS equivalent Indian system to navigate and provide accurate location and we have already demonstrated a worldwide successful cooperative model- AMUL.

### PROPOSED CO-OPERATIVE MODEL

Cooperatives are organized around the architecture of co-operation, trust, equality; they consider self responsibility and social responsibility as most important factors. While exploring and looking at more efficient and cost effective alternate model for the cab aggregators it is found that co-operative model can revolutionize this industry by offering various social and economic benefits. The concepts of cooperation envisages a number of people coming together, joining hands, pooling resources and then reap the benefits of scalability, economy and profitability. The Government has announced rolling out of a new cooperative policy and work with the states to strengthen the cooperative movement. The cooperative movement in India is a well tested model which is still relevant in current times and situation.

The following three tier structure is proposed for building a reliable, efficient and sustainable travel car services in India:

- ⊙ Travel car service operators co-operative at the village level
- ⊙ Federation of travel car service providers at the district level
- ⊙ Federation of travel car service providers at State level

The co-operative model would be beneficial for the members as under:

- ⊙ Profits of travel car service providers would be shared by members
- ⊙ The travel car service providers would be eligible to apply and get loans for financing of their vehicles from banks at cheaper interest rates
- ⊙ The members would be encouraged to go for electric vehicles in line with the Government thinking of phasing out fuel based travel cars over the next few years
- ⊙ Further, It can introduce NAVIC through these cars which will lead to Indians' data with India only
- ⊙ The maintenance of the travel cars would be taken care of by the co-operative through centralized support services which would be more timely, cost efficient and reliable
- ⊙ The drivers of the travel cars would be provided proper training – driving, maintenance of vehicles, dealing with customers
- ⊙ This will be a model which will also promote and fulfil the motto of 'Make in India' as this would be a business model based on the concept and structure of co-operatives which is in tune with the culture and philosophy of Indian ethos
- ⊙ The cooperative would be enabled to forge tie up with

the vehicle manufacturers for buying and trading of vehicles at better terms due to scale of potential deals

- ⊙ This model will generate huge employment opportunities for the people of the country specially in the tier Two and Three tier cities and rural areas
- ⊙ This will also make the entire travel car service providers industry more cost efficient and sustainable
- ⊙ In cooperatives, taxi owners would agree to bring the best practice in terms of quality and customer care.
- ⊙ This will also serve the goal of 'Make in India'. Profits will remain in India or say growth will be shared by Indians

### Co – operative Taxi ecosystem around the world

The co-operative taxi ecosystem has been operating in other countries also. In Portland, Oregon, the Cooperative Union Taxi, was founded in 2012. Green Taxi Cooperative founded in Denver, Colorado in 2015, has over 1,000 drivers as member-owners. According to Abdi Buni, one of the co-founders, what drivers take home from the cooperative is much higher than what they would otherwise. Other successful taxi cooperatives include Union Cab in Madison, Wisconsin, Coop Taxi in Montreal, Canada, and COOP Taxi in Seoul, South Korea.

### ROLE OF THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

The Institute of Cost Accountants of India is a statutory body set up under an Act of Parliament for facilitating development of an efficient and cost

effective economy. The proposed co –operative model for the travel car services in India is a revolutionary idea which can catalyse the growing economy as travel and movement of people are critical aspects of any developmental process. The Institute has capabilities to hand hold and facilitate developing a co- operative structure for taxi operators in India and then operationalize the same by creating awareness and competency building through its wide reach of infrastructure and knowledge resources. The Institute can partner with the Government to bring about the proposed change with a dedicated team of CMA professionals assigned for the task to create a lively and highly beneficial travel car services ecosystem in the country. MA

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