

The Urban Poor and Their Money: A Study of Cycle Rickshaw Pullers in Delhi



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The Institute for Money, Technology and Financial Inclusion
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Mani Arul Nandhi
University of Delhi
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For a copy of the full report, contact mmandhi@gmail.com

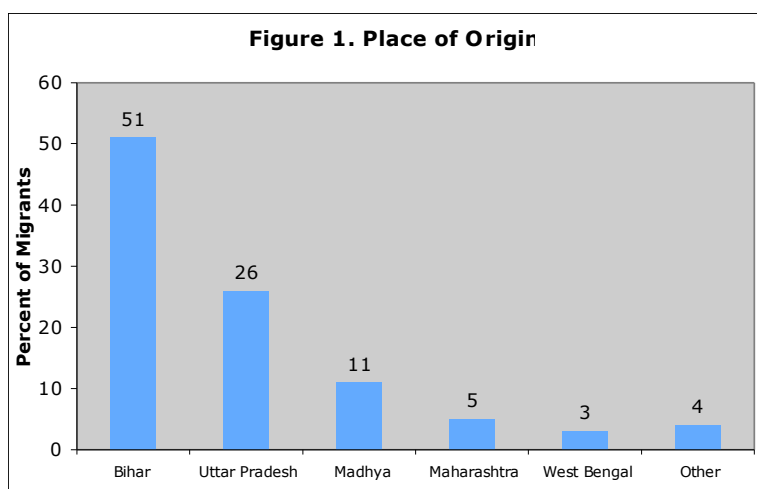
Introduction

The study explored the financial behavior of cycle rickshaw pullers in Delhi to assess their strategies and choices in saving, storing and remitting their money and the challenges and the constraints they faced in managing their money and livelihoods. The study addressed the following research questions:

1. How do the urban poor handle their money matters?
2. What are the different types of financial instruments used by urban migrants in managing their money?
3. What are the different strategies used by them in saving, payments, credit and in remitting their money?
4. What are the diverse practices (storage, concealment and transfers of their earnings and wealth) adopted by them to safeguard their cash and earnings from deception and frauds, theft, temptation to spend on unwanted and unproductive expenditures and other perils and dangers?
5. What are the mechanisms available to the urban poor in minimizing their risk and vulnerabilities? Specifically, what are the social practices (nature of social capital and social networks) that are available to them in the migrated place as well as point of destination to fall back on during crises and emergencies?

Primary data was collected in 5 districts (Central/New Delhi, North, South and West) in Delhi and covered 176 cycle rickshaw pullers randomly selected from 19 areas of their operations. The study used 4 methods: in-depth interviews of rickshaw pullers based on structured questionnaires, focus group discussions, and case studies and key informant interviews to cross-validate specific findings.

West Delhi	South Delhi	Central Delhi	New Delhi*	North Delhi
Patel Nagar Kirti Nagar	Lajpat Nagar Kotla Mubarkpur	Karol Bagh Ajmeri Gate	Gole Market New Delhi Railway Station (Ajmeri Gate)	Shakti Nagar Ashok Vihar
Moti Nagar Ramesh Nagar Karampura Rajouri Garden Tilak Nagar Punjabi Bagh Raja Garden Paschim Vihar Hari Nagar Janakpuri Tagore Garden Subhash Nagar	Shiv Nagar Defense Colony	Pahad Gamj Prasad Nagar Gole Market Rajinder Nagar Tank Road Punchkuiyan Road Rajendra Place	*Some of the places under New Delhi are classified in 'Central Delhi'	Gulabi Bagh



Of the 176 rickshaw pullers surveyed, roughly 44% were from West Delhi. Another 28% from Central Delhi, 13% from South Delhi, 6% from New Delhi and 9% from North Delhi. Data was collected from August to October 2009.

Rickshaw Pulling in Delhi

Cycle rickshaw is an important mode of informal transport in metro cities and towns; they are considered eco-friendly, user friendly, cost efficient and convenient forms of transportation for short distances. They also provide an important mode of livelihood for rural poor migrants.¹ These cycle rickshaw pullers tend to come from a very poor background consistent with the characteristics of chronic poverty. Rickshaw pulling actually provides them with a route of upward mobility when they come to the city for work.²

There are varying estimates of the number of rickshaw pullers in Delhi; one conservative estimate suggests that there are over 600,000. Another estimate suggests that there are as many as 900,000, although there are only 7,500 to 100,000 licensed rickshaw pullers. However, the sector as a whole offers employment to an estimated 50-60 lakhs³ people, including those in manufacturing units and mechanics, in Delhi alone.⁴

Rickshaw pullers, or ‘rickshawalas,’⁵ face many difficulties in Delhi. Most are seasonal or circular migrants, meaning they have been disconnected from their traditional social networks. Additionally, as many have people at home depending on them for remittances, they often subsist on very little in order to save and send money home. Many sleep at rickshaw stands and public spaces because they cannot afford to rent a shared room, even

¹ www.manushi.india.org

² Begum and Binayak, 2004

³ 5,000,000 to 6,000,000 (one lakh equals 100,000)

⁴ Based on news: <http://www.hinduonnet.com/thehindu/mag/2006/10/08/stories/2006100800100400.htm>

⁵ In general, rickshaw pullers are addressed as ‘rickshawala’ in Delhi.

in Delhi's slums.⁶ Anecdotal suggests that the average rickshaw puller supports up to six or seven dependents.

In many ways, rickshaw pullers are at the absolute periphery of attention for development planners and the government. Most of Delhi's roads do not have a lane for cycle rickshaws, meaning they must ride amidst heavy motorized traffic, at considerable risk to themselves. The rules of owning a rickshaw are such that an individual puller who owns a cycle rickshaw has no legal protection, thanks to the quota system for licenses.⁷ There is little recognition of their important contribution to the urban economy, and they are one of the poorest and most marginalized groups in the city.

Profile of Rickshaw Pullers



Of the rickshaw pullers in the sample, 88% were from Bihar, Uttar Pradesh and Madhya Pradesh, with most of the rest from other north Indian states. Only about 3%, 5 pullers were from Delhi itself. Over 71% of the rickshaw pullers had migrated to Delhi more than five years ago and 47% had migrated over ten years ago. Most had been pulling a rickshaw for 10 years on average; the maximum time responded was 40 years. 62% had been pulling a rickshaw since they originally arrived, but the other 38% had shifted to rickshaw pulling from another avenue of employment, like casual wage labor, self-employment, or domestic services.

⁶ Kishwar, Purnima Madhu, 2009

⁷ For an incisive account of how the licensing and quota system has embedded opportunities for corruption, extortion and exploitation of rickshaw pullers/owners, refer to chapter 16, Madhu Purnima Kishwar, in India Urban Poverty Report, 2009

About 70% of the pullers pulled for 8 to 10 hours a day; the other 30% pulled for 5-8 hours per day. The majority, 55%, worked for 7 days a week, and the other 45% worked only 5 days per week. Broadly speaking, most pullers averaged 14 rides per day, but the reported range of minimums and maximums varied dramatically.

The amount of time per year that each puller spent in Delhi per year varied greatly. Although 21% stayed in Delhi for a third of the year or less, the majority, over 64% of the sample, stayed in Delhi for at least half the way. Nearly a fifth of the sample, 18%, stayed in Delhi for almost the entire year.

Months Staying in Delhi	Percent of Pullers
2-4 months	21.03%
5-6 months	14.2%
8 months	18.75%
10 months	27.84%
All 12 months (with breaks)	18.18%

The rickshaw pullers were mostly illiterate or semi-literate and asset poor, both in terms of land and other assets. Approximately 48% were completely illiterate; only 30% had had been to middle school, and another 19% had attended primary school. Of the pullers, 94% rented their rickshaw, which cost between Rs. 35 (US \$0.74)⁸ to Rs. 50 (US \$1.06). Although almost none had a radio or a watch, 21% of the sample respondents owned a mobile phone. A high percentage (85%) of the sample respondents kept close ties to their families in their home villages, sometimes by sending a cell phone back to a family member for quicker and easier communication.⁹

The mean age of rickshaw pullers was 36 years old. About 86% of them, the vast majority, were married. The average household size¹⁰ of the sample respondents was six persons; the minimum size was 1, and the maximum 19 family members.¹¹ Many sent remittances, as will be discussed later. Many pullers cut their spending in order to save, like the 43% of pullers who did not eat three meals per day, so that they could save money and support their family.

Members of socially and economically backward groups, including Other Backward Castes (OBCs), Scheduled Castes (SCs) and Scheduled Tribes (STs), constituted 59% of

⁸ The exchange rate used in this study was the prevailing market exchange rate from August to October 2009, 1 US dollar = 47 Indian Rupees

⁹ It is pertinent to note here that a total of 44 rickshaw pullers (25%) provided a phone number to the research team for contact purposes.

¹⁰ Refers to the number of family members who are dependent on the earning of the sample rickshaw puller. This applies both to the pullers who live alone in Delhi and pullers who stay with their wives and children.

¹¹ In survey data from 13 countries documenting the economic lives of the poor, Banerjee and Duflo (2006) report that the number of family members varies between about 6 and about 12, with a median value (across the different countries) of between 7 and 8. For comparison, the U.S. census indicates that the mean number of family members in the United States in 2000 was 2.5.

the sample. Another 20% of the pullers were Muslims. Nearly 90% had neither a voter's ID card nor a ration card in Delhi. About half had neither in their home village as well, excluding them from many formal financial institutions. Lacking personal identification is a major problem, as it prevents them from complying with the 'Know Your Customer' (KYC) norms at banks, which require proof of identity and address. Very few rickshaw pullers can access any formal financial services.

Case Study 1

Perspectives on Social Networks

"There are fifty people who are known to me, but I do not take or get any help."

"Friends for the sake of it, I can not rely on them."

"I am poor. Nobody trusts me."

"If I will make more friends, I have to help them with money. I am poor myself."

"I don't like city people, they are wily."

The study found that social capital in the migrant community was low. Most felt they could not trust their fellow pullers. About two-thirds of migrants felt their social network as "large and loosely knit," rather than "small and closely knit," as the other one third reported. Less than 5% were involved in professional associations of any kind, including unions. This is particularly important given the dangerous nature of their living situations. While a sizeable

segment (44%) was homeless, the rest were living in unauthorized illegal slums or poor neighborhoods in unsanitary and unhygienic living conditions.

Earnings

Rickshaw puller's daily earnings are variable, unpredictable, irregular and low in quantity. Rickshaw pullers work under harsh conditions; they pull rickshaws despite extreme heat, cold, or intense rain. Because it is a non-motorized form of transport, it is quite slow moving; the simple format means that there are relatively few service features for passenger comfort. Generally, rates by passengers tend to be quite low, particularly in comparison to rates charged by auto rickshaws.

The number of rides per day is variable as well, based on the age of the puller, traffic, road conditions, weather conditions, traffic police harassment and many other factors. The earnings are not only of low value, but also fluctuate wildly. The average rickshaw puller in the sample charged Rs. 10 (US \$0.21) for 'short' distances, Rs. 16 (US \$0.31) for 'medium' distances and Rs. 25 (US \$0.53) for 'long' distances for single passenger carry. Pullers tended to charge more for pulling goods. Findings indicated that the 'estimated' average daily gross earnings of rickshaw pullers in the sample was Rs. 269 (US \$5.72), compared to a 'reported' average daily gross earnings of Rs.179 (US \$3.80). Gross earnings refers to the earnings of the day without subtracting out rent for rickshaw and daily necessary expenses. Since the difference in earnings could be due to underreporting on earnings or overestimation, the actual daily gross earnings likely lies between the two figures.

Age was an important factor in determining how much a rickshaw puller earned. The average puller over 50 earns substantially less than the average puller. The average daily gross earnings for the average rickshaw puller over 50 totaled only Rs. 148 (US \$3.15), which is nearly a 20% decrease from the sample average. The maximum daily earnings in the sample was a total of Rs. 500 (US \$10.60) for all pullers, compared to only Rs. 250 (US \$5.32) for pullers over 60. In terms of net earnings, gross minus expenses, the average puller earned about Rs. 81 (US \$1.72), whereas the average puller over 50 earned only Rs. 64 (US \$1.36).

Most pullers also faced seasonal variation in their earnings, with 75% of pullers feeling that their earnings were more during summer than winters. They suggested that people prefer to use rickshaws even for short distances due to the intense heat of May and June, but walk more during the winters.¹² However, 8% of rickshaw pullers said they earn more during winter, and suggested that it was because there were fewer rickshaw pullers in the city during the winter. Most rickshaw pullers had few, if any, other sources of income. However, 15% of the pullers had wives working as domestic servants in Delhi, and some also shared income with relatives, such as adult sons. However, even those with some family members with income said that they generally rely only on their own earnings.

¹² A few pullers mentioned that they earn more during October-November, when major Indian festivals like Durga Puka (Dusseera) and Diwali are celebrated, because business is good during that period.

Case Study 2

Small allowances and careful organising helps to manage meagre earnings

Harish Kumar is from Gonda District, Uttar Pradesh and has been in Delhi since 2001. When he lost his parents, he brought his three younger siblings (two brothers and a sister) to Delhi to look after them, and they all live together in a shack Juna Bhatti. Harish, who is unlettered, pulls rickshaw 7 days in a week, as he wants to ensure that his siblings are taken care of. Though he would like to take off one day a week, he does not do so because the rickshaw owner waives off rent on a Sunday; so he works for half a day at least on a Sunday. He finds the rent-free allowance amount (Rs. 40) is handy in managing his family’s needs. He manages to pull between 15 and 20 rides a day generally so that he gets more money. His earnings for one week was recalled by him as follows

Day	Gross Earnings INR (US \$)
Sunday	Rs. 120 (US \$2.55)
Monday	Rs. 190 (US \$4.04)
Tuesday	Rs. 240 (US \$5.10)
Wednesday	Rs.160 (US \$3.40)
Thursday (half day)	Rs. 50 (US \$1.06)
Friday	Rs. 280 (US \$5.95)
Saturday	Rs. 150 (US \$3.19)
Total	Rs. 1190 (US \$25.3)

He arranges to meet expenses relating to food (through his daily earnings), festivals (by setting aside some money for expenses before the festival). At the moment, he is keeping aside a small sum of money because he has to repay an interest free loan of Rs.3000 taken from a relative for his sister’s marriage. His major concerns relate to the education of his younger siblings and constructing a house in his village, where his parents had left him 2 bigha land. His parting comment was “I am illiterate, but I will attempt to educate both my younger brothers .”

Costs and Expenses

Rickshaw pullers face both direct costs, like rickshaw maintenance, penalties and fines, and indirect costs, like losing productive time due to factors beyond the control of the puller. For direct costs like minor repairs, 77% of rickshaw pullers said they generally pay the fee themselves, as they are far away from the rickshaw owner when the repair becomes necessary. Still, 47% of pullers reported that owners sometimes pay minor repairs, or generally spend on them. If they face a penalty, according to 66% of pullers,

the rickshaw owners bear those costs. Another 17%, however, said that they have to pay the fine themselves. Some rickshaw owners seem to pool penalty costs; if any driver that rents from him incurs a fine, everyone who rents from him puts in some money to pay it.

Another important cost has to do with the lack of a license, as 18% of rickshaw pullers said that they pay ‘rent payments’ to the local police for plying unlicensed¹³ rickshaws. Indirect costs usually come more through temporary loss of work, like while sitting as punishment by the police, while waiting for a tire to be re-inflated, or if their rickshaw is confiscated by the police. Although they don’t pay directly, the opportunity cost of these delays is quite high.

Rickshaw pullers also spend on many things other than operational and vehicle costs. Findings on expenses showed that:

- Food: 44% of daily earnings were spent on food by the entire sample
- Rent: 9.29% of daily earnings were spent on rental expenses by 55% of pullers.
- Toilet: 2% of daily earnings were spent on public toilet/baths by 50% of pullers.
- Toiletries: 1.78% of daily earnings were spent on soap and toothpowder/toothpaste by 97% percent of pullers.
- Cooking fuel: 3.50% of daily earnings were spent on cooking fuel by 54% of pullers.
- Temptation goods: 5.6% of daily earnings were spent on temptation goods by 79% of the sample.
- Total: 66.17% of daily earnings spent on basic expenses

Case Study 3

Rent for a month only! Every rupee is needed to repay huge debts!

Sunil Garg is a dalit from Bhind district of Madhya Pradesh. He had studied up to middle school and has a young wife and brother to support. Mostly he lives on footpaths near Patel Nagar-Prasad Nagar crossing. He has a huge debt to repay to the moneylender in his village – Rs. 84000. He had incurred some loss in some investment in a committee (Rs.20000) and another loan of Rs.70000 for medical expenses of his father, brother and sister – all of whom are deceased now.

Therefore, he is trying to prune his living expenses and save more to repay his loans. He does not trust any one and therefore carries his cash on his person. He goes to his village normally every 3 months or earlier to give cash to his wife and to repay the loan. Or, his wife and younger brother visit him at least once a year to meet him, and he sends money with them. When they visit him for a month, then he hires a room on rent for the duration only and after they leave, he shifts to living on footpaths again. He reasoned: “Why waste paying Rs.1000 for rent; I save the amount by living on footpaths.”

Most rickshaw pullers spent very little on rent, at most 10% of their earnings. Those who

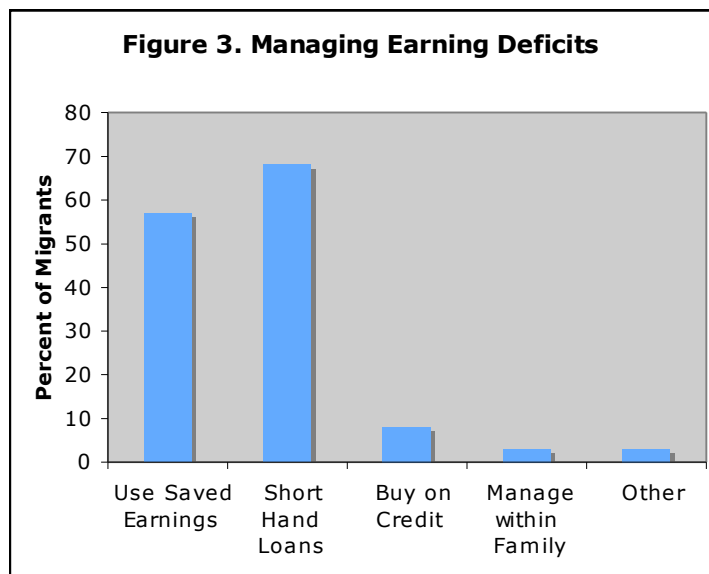
¹³ Though some rickshaw pullers said that they paid rent payments for plying on the wrong roads, most often it was due to pedaling illegal rickshaws.

stayed in formal dwelling places tended to stay in very poor quality ones, generally in poor neighborhoods, including authorized and unauthorized slum settlements. Not all pullers spent on rent; 44% of rickshaw pullers said that they had no expenses for rent, suggesting that they were homeless, and living either on streets or in public spaces.

Other major categories for spending included clothing, typically clothing for special occasions like festivals, such as Eid, Diwali or Holi, or ceremonies. Most of the pullers said that, annually, they spend about Rs. 1125 (US \$23.94) on clothing expenditures. Many chose to purchase clothes from second hand sellers when necessary to save money. Many pullers also spent money on transportation, getting to and from their home village when necessary. Recreation was a small percentage of spending, and the vast majority of pullers spent nothing on items like videos and cinemas.

Only half of the pullers, 52%, said that they spend any money on health care, including medicines and treatment. The rest said that they spent nothing on health related expenditures. About 8% of those in the second category did say that they got free medicine or care from government dispensaries or hospitals, but the rest simply made so use of any medical care. Many pullers also spent money on cell phones, either one for their family to keep in contact, or on their own. Those without cell phones would often borrow their friends’ phones – either use a sort of voucher system, or simply pay for what they use. These secondary expenses varied widely within the sample in terms of the percentage of income spent and the frequency of spending.

Since many of these expenses are essential, rickshaw pullers must carefully manage their funds in order to be able to save. The interviewed pullers had several strategies for



managing their expenses when their earnings were particularly low. While 68% of sample respondents tended to borrow small sums of money from friends, fellow pullers or relatives, another 57% of respondents used their savings or retained earnings of the previous day or week for buying food when necessary. Total, however, rickshaw pullers tended to spend about 66% of their earnings, and save the rest.

Savings Behavior

The study focused in large part on the savings behavior of rickshaw pullers, examining which modes and practices were used and why, what constraints and challenges were faced and how aware pullers were of formal mechanisms available for saving.

A total of 95% of respondents saved a portion of their earnings. Of the sample, 46% saved every day and another 46% saved only when surplus was available. Nearly 89% of the pullers were dependent on informal saving arrangements. Only 1% of rickshaw pullers reported using a bank account to save. The two most popular informal saving mechanisms were saving with self, on one's person, or at the place of stay, used by 55% of the pullers, and saving with neighborhood shopkeepers, used by 31% of the pullers. Other informal methods, like savings with one's wife, relative or rickshaw owner and burying money under soil, were used by 17% of the sample.

Case Study 4

Perspectives on Savings

"I make sure I save Rs.100 a day."

"Whatever is left after my expenses, I keep it for future needs."

"Rs.150 in any case. I try to earn Rs.250 at least a day. I spend Rs.100 and give Rs.150 positively to *paanwala*."

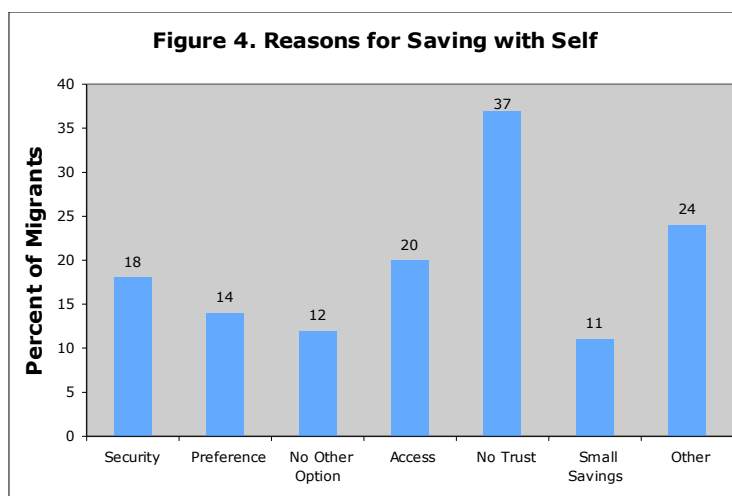
"I have no permanent savings but we save wife's income of Rs.1500."

"I have come here to earn and save a little, because when I go back to village I use it because no source of regular work there . "

Many of the case studies demonstrated that to meet their need for lump sum cash, the sample respondents either set aside cash for future consumption (i.e. they saved up) or borrowed and repaid at a later date (i.e. they saved down). Only a negligible number made regular deposits for accumulating a lump sum through a committee or semi-formal institution (i.e. they saved through).

Analyzing the saving practices of the sample through various case studies also revealed clear cut patterns of behavior: saving small amounts through conscious choices. These ranged from choosing to forego meals and juggling expenses and priorities. They saved on living by dispensing with avoidable expenses (for example, by consciously choosing to live on streets to save money on rent), sharing expenses to reduce costs of living in Delhi or sharing a hired rickshaw to maximize their earnings. Other findings indicated that they used alternate coping mechanisms including foregoing investment opportunities, like cutting down on tuition expenses for their children. These measures, although they restricted pullers' choices, satisfied their need to save to protect themselves and their families.

Other strategies included holding on to savings but borrowing to meet basic expenses (food) because building up a lump sum is often more difficult than repaying a loan and limiting one's social network on the premise that cultivating more social contacts would entail difficulties in refusing financial obligation. Pullers also allocated their money carefully, like keeping aside the earnings of their spouse for certain specific needs, saving for specific purposes like loan repayment and festival expenses, and storing money on their person until it had built up and remitting frequently.



Lack of trust, lack of other options and ease of access were major reasons that migrants choose to keep their savings on their person or at their place of stay. The irregular and uncertain nature of their income flow also influenced their decision to hold cash savings on their person.

Findings also revealed that rickshaw pullers used diverse storage practices to safeguard their cash savings. It was found that 19% of the respondents kept their money in a locked steel box, container or *potla*. Another 34% stored their money inside their personal luggage, either in airbags or other kinds of bags. Other practices included storing funds in mud banks, poly bags, their wife's purse, or even burying them underground. While the methods differed, almost all intended to build up a lump sum and remit quickly and frequently. Although the amounts varied, 57% of rickshaw pullers held an average of Rs.2906 (US \$62) as cash savings either on person or at their place of stay.

Another important finding indicated that depositing the daily savings with known neighborhood shopkeepers – ranging from *paanwala*, *juicewala*, *chaiwala*, *machiswala*, *kiranastore* – was one strategy used by many rickshaw pullers. Of those who used this strategy, 32% explained that it was because they lacked a safe place to keep their money, and 24% said that trusting shopkeepers and being able to withdraw their savings at their convenience played a significant role in their decision. Other important reasons included fear of theft, lack of self-discipline (spending on temptation goods), and lack of awareness and availability of formal sources.

Table 3. Methods of Saving by Pullers			
Different Methods of Saving	Percent of Respondents	Average Savings over the last 30 days	Total Savings over the last 30 days
Shopkeeper	36%	Rs. 2503 (US \$53)	Rs. 160,250 (US \$3,410)
Bank Account	1%	Rs. 1650 (US \$35)	Rs. 3,300 (US \$70)
Wife	6%	Rs. 1960 (US \$42)	Rs. 19,600 (US \$417)
Rickshaw Owner	4%	Rs. 1264 (US \$27)	Rs. 8,850 (US \$188)
Self/Place of Stay	57%	Rs. 2906 (US \$62)	Rs. 220,880 (US \$4,700)

Source: Field Survey

Case Study 5

Where to keep savings? Shopkeeper versus Self – Compelling Choices

19-year-old Mohan Kumar is a school drop out after class 7 because his father could not work any more as a dhobi (washer man) due to failing health. Being the eldest son, he had to take care of his dependent parents and two younger siblings. So he migrated 5 years ago from Samastipur district in Bihar because his cousin brother was working in Delhi. He shares accommodation with his brother's family and started as a wage labour in constructing mobile towers for a telecom company but after 6 months, he switched to rickshaw pulling because he found he could relatively earn more by pulling more rides. He owns a mobile phone because he keeps in touch with his family and a watch as well.

Mohan Kumar learnt the hard way about saving his money. When he was a fresh migrant in Delhi, he started depositing his daily savings amount with a local shopkeeper in Subhash Nagar. After 25 days of deposit, he requested the shopkeeper to give his money back. But the shopkeeper told him to take it after two weeks. When he asked for his money after 15 days, the shopkeeper denied taking his savings and turned the table on him saying “you are a liar, you never handed any money to me.” So Mohan Kumar lost his money and faith in saving with any other person. After this incident, he kept his saved earnings with him only – in a locked airbag in his shared quarters or on his person. He absolutely had no idea about other saving options – either formal (bank or post office) or semi-formal. He was very eager to have a safe saving option because he stated that “It is always problematic to keep saved money with oneself; there has to be some way for keeping money safely for poor like me . ”

For someone young, his constant worries relate to managing food expenses for his family, debt repayment, festival and educational expenses. He became emotional about educating his younger siblings because he loved to study but had to discontinue because of his poverty. He reads newspapers when he gets time and does not like to waste time because it means foregone opportunity to earn money.

Rickshaw pullers in the sample deposited on average, Rs.105 (US \$2.23) per day with the shopkeepers. The average monthly savings with shopkeepers was about Rs.2503 (US \$53.26). The upfront cost of saving with a shopkeeper was approximately Rs. 4 (\$ 0.085) per month, and the “opportunity cost,” in terms of how much interest would have been earned in a bank account, was on average Rs.110.25 (US \$2.35) per month. For the poor every rupee or penny earned is useful. Rs.4 (US \$0.085) is approximately 3.8 percent of the average puller's daily savings, making it a significant cost.

A small fraction of rickshaw pullers chose to diversify the risks inherent in informal saving by dividing their earnings, and keeping small amounts in different places, like on their person, with a shopkeeper, and under soil. Others would split small sums among shopkeepers, again minimizing the risk of loss.

Those who saved with themselves tended to have saved the largest amounts, followed by those who saved with shopkeepers. The average amount of savings over 30 days between all of the different informal mechanisms averaged Rs.2609 (US \$56). Just the money saved with shopkeepers, generated by only about 30% of the 6,000,000 rickshaw pullers in Delhi would, conservatively, approximate 22.5 crores of rupees per month (US \$4.89 million).

Case Study 6

Minimum rent expenses

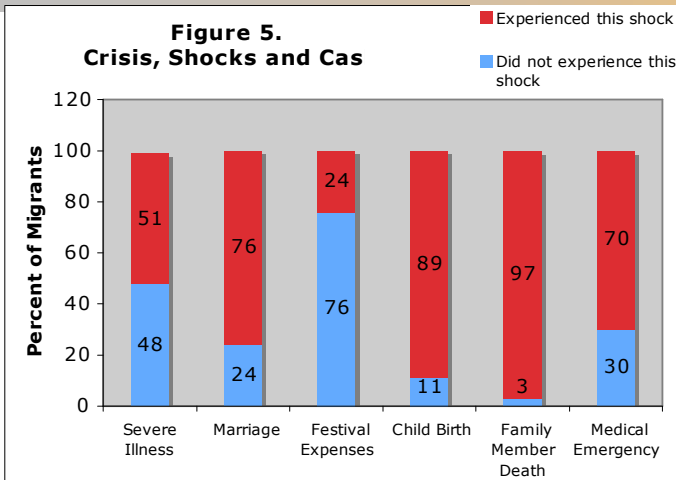
Tarlochan Singh is a 63 years old puller who hails from Ludhiana, Punjab stays in a night shelter every day by paying Rs.6 (\$ 0.13) He was an auto driver for 23 years. One night when he was sleeping in the night shelter, someone had picked his purse, which had Rs. 400 (\$8.51) and his auto driving license. Since then he has been pulling a rickshaw for 2 and ½ years now. He is able to earn daily Rs.125 (\$ 2.66) by pulling about 10 rides a day. After spending on his food, he saves Rs.50 (\$ 1.06) daily and deposits it with a shopkeeper in his area.

Of the rickshaw pullers interviewed, 82% were unbanked. Even among the 18% who had reported that they had a bank savings account, only 2 percent had active accounts. For the remaining 16%, either the account was no longer active or was actually in the name of a family member.

Borrowing Behavior

Many rickshaw pullers depended on borrowing from informal commercial sources like private lenders and moneylenders, as well as non-commercial sources like interest-free loans from friends, relatives and other pullers. Many also actively depended on reciprocal financial arrangements, specifically reciprocal borrowing and lending. Reciprocal borrowing was used principally for managing short-term routine needs, and smoothing irregular flows of income. The study found that 74% of respondents lent small sums of money and 81% borrowed on a reciprocal basis from friends and fellow rickshaw pullers.

Reciprocal loan arrangements function largely based on the social capital built up by the rickshaw pullers. The networks of trust and reciprocity they build function as protective measures during times of low cash flow. Like pruning expenses, building trust and good relations with their peer groups helps them to manage their risk. Even though many rickshaw pullers said they had difficulty trusting other pullers, reciprocal borrowing and lending as a community allowed them to sustain their fragile livelihood.



contingencies), and assets building opportunities (home construction, purchase of livestock).

At the time of the field survey, 41% of the sample had an outstanding loan. Small loans were not always sufficient, particularly following economic stressors. 59% of the pullers had borrowed a large sum of money in the last year. The main stressors were generally divided into three categories: life cycle needs (marriages, child birth, education), emergencies (medical expenses / illnesses/ death, unspecified contingencies), and assets building opportunities (home construction, purchase of

Case Study 7

Hold on to savings but borrow to manage income deficit

Sunil Kumar Pathak is a young Brahmin puller from Bahrai district in Uttar Pradesh with a shrewd monetary sense. He ran away from his home about 12 years ago and landed in Delhi but keeps in regular touch with his mother and a sister who stays in Delhi. He was working in a pavement garment shop for some years. However, he decided to do retailing and started to sell ladies garments in a weekly market on the pavement. To supplement his income from his entrepreneurial venture, he pulls rickshaw as part time occupation for the last 6 years. He keeps a mobile phone (but has no other assets) and has a voter's ID in his village.

He ensures to save a minimum of Rs.100 (US \$2.13) a day and deposits it with his sister. His reported total savings deposited with his sister was Rs. 6000 (US \$127.65) in the preceding month before the interview. Once he has deposited his savings, he does not like to dig into that savings amount because it is difficult to accumulate. He prefers to borrow rather than use up his built up savings. Quite often, he engages in reciprocal borrowing (less than Rs.100 (US \$2.13)) from known friends or fellow pullers as "hand loans." He also lends small sums, between Rs.50 (US \$1.06) and Rs.100 (US \$2.13). Occasionally he also accesses loans from his rickshaw owner. For instance, in the recent past he had taken a loan of Rs.300 (US \$6.38) from him for some emergency and repaid him at the end of the month. He borrowed twice in the last year, Rs.15000 or \$319.15 (first time Rs.5000 (US \$106.38) and second time Rs.10000 (US \$212.77) at 7% interest from a private lender because his mother had asked him to send money urgently for some emergency. He had repaid Rs.7000 (US \$148.94). He remits money to his mother normally every month or sometimes once in three months. He remits a minimum amount of Rs.2000 (US \$42.55) and his maximum has been Rs. 8000 (US \$170.21). He tried to open a bank account but could not do so because he did not have ID in Delhi and there were too many formalities to comply with.

Almost all loans were from informal sources, either from village moneylenders, or interest-free loans from friends and relatives. In other words, the sample respondents were unable to get money from any credit source in Delhi because of their migrant status and mobile habits. This even extended to sources like Delhi moneylenders, but also to taking loans from rickshaw owners, and others like that. Generally, if a puller needed a loan, he would need to find someone from his home state or village. Some borrow, in extreme emergencies, from *courierwalas*, groups of people who also act as informal channels for remittances.

The average loan taken from informal sources (both interest bearing and interest free) was about Rs. 16,261 (US \$346), and the average outstanding loan was Rs.11,963 (US \$255). Of the sample, 16% had access to interest free loans, while 40% had taken loans for interest rates ranging from 2% to 10% per month.

Many rickshaw pullers also employed other strategies to manage their cash flow. During periods of irregular or low earnings, some respondents bought food or grocery on credit from local stores. Some pullers ran rent arrears for their shacks. About 10% of pullers had never accessed any loan, because they feared they would be unable to repay it. While borrowing was a key strategy used to meet expenses for health crises (medical emergencies), and marriage, savings were also used by a large percentage of sample respondents, especially for meeting festival expenses.

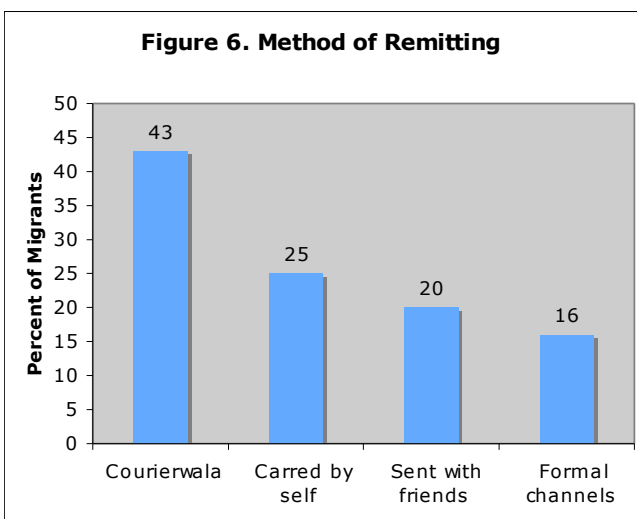
Case Study 8

Lender at Eleventh Hour

Mohammad Waris came to Delhi from Katihar District, Bihar when he was 17 years and has been a rickshaw puller since 2004. During the past 5 years in Delhi, Mohammad Waris had learnt that it is safer to follow certain precautions in looking after his money especially after he was deceived. He recounted that once a stranger came to his *juggi* pleading for a glass of water, so when he came back to give him water, the stranger had disappeared and so was his money kept in a bag. After this incident, he became extra careful in taking care of his money. Moreover, he added that he talks and moves with pullers from his village as it is difficult to trust those around him. He only seeks the help of his villagers for any short hand loans - up to Rs.100 (\$ 2.13) - when required. About seeking help for bigger loan if needed in Delhi, he said that there is no one in Delhi who would extend credit because he migrates for 5-6 months in a year. If required, the only source where he has been able to access funds is the *courierwala*, who lends to people like him, besides being a trustworthy channel to remit money home. He clarified that in emergencies the *courierwala* (who hails from his state) in Delhi gives money without taking any interest. For instance, he needed Rs.1500 (US \$31.91) to send home money urgently for an emergency recently and the *courierwala* came to his rescue by lending and remitting the same to his family. He added "Nobody provides such help in Delhi to people like us." Subsequently Mohammad Waris returned this money to the *courierwala* within a month's time.

Remittance Behavior

The study focused on remittance behavior in terms of the mechanisms used, the reasons thereof and the constraints faced. It also explored the level of awareness among the respondents about the transfer mechanisms available for remittances. It was found that 81% of pullers in the sample remitted money regularly to their families. Of the pullers, 34% remitted monthly, 22% when needed, 10% every three months, and 10% when they visit home or when they had surplus money. The average amount of money sent in the last remittance was Rs. 2,712 (US \$57.7). The total amount of money sent in the last remittance was Rs. 3,77,000 (US \$8021), sent by 79% of the sample. Those who remitted monthly send, on average, Rs. 2078 (US \$44.2) per month; those who remitted as needed sent, on average, Rs. 3393 in their last remittance.



The study found that there was heavy dependence on informal remittance mechanisms by rickshaw pullers in the sample. Among the informal channels, 43 percent of sample respondents used the informal system commonly termed courier or *courierwala*. The *courierwala* was a popular channel because of its convenience, speed, and timely delivery. Even though the commission charged by the courier services was considered on the higher side, the rickshaw pullers in the

sample clearly preferred it. The 16% of pullers that used formal channels tended to use the bank accounts of friends or relatives, or remitted through the post offices.

The study calculated the remittances of the rickshaw pullers in the study in order to project the potential volume of remittances that is likely to be transferred every month by 34 percent of 6,00,000 rickshaw pullers in the city, and found – at a conservative estimate – that the total magnitude of remittances is probably about Rs. 21.2 crores (US \$4.48 million). There is clearly a large potential market for remittances from the rickshaw pullers, one of the large migrant groups that exists in Delhi, and could present a huge monetary reservoir for takers in Delhi’s financial market.

Overall, rickshaw pullers demonstrated very low levels of awareness about bank draft and electronic money transfers. Awareness about transfers through the post office (money orders) was fairly high at 47%, but anecdotal evidence in the survey suggested that it was not a trusted channel, due both to the cost of transfers and how long they take.

Case Study 9

What if I don't have a bank account?

I have a friend's account to save and courierwala to remit money

Mohammad Islam came to Delhi 30 years ago from Madhubani district of Bihar looking for work and became a permanent migrant. He visits his village once a year at least as well as when ever any need arises. Mohammad Islam does not have any formal identification (Voter's ID) in Delhi or in Izra village, where he lived for 20 years. He saves 100 rupees (US \$2.13) daily and hands this over to a trusted (rickshaw puller) friend who has a bank account. He had deposited 3000 rupees (US \$63.83) last month with this friend.

When asked about his remittance behaviour, He sends money through a 'courier' or 'courierwala.' In his case, the courierwala happened to be his own brother-in-law. He depends on courierwala because he sends money immediately to his family in the village. When queried about it, he stated that his money gets transferred through *courierwala's* account, which guarantees timely delivery. He finds this mechanism trustworthy, and a fast and safe mode of remitting money even in emergencies. He does not carry cash in bulk when he goes home annually. He remits to his wife on a monthly basis. His last remittance was Rs. 5000 (US \$106.38). He is able to remit a minimum of Rs. 3000 (US \$63.83) and a maximum of Rs. 5000 (US \$106.38) and he has remitted 8 times in the past year. He pays Rs. 5 (US \$0.11) per every 100 rupees (US \$2.12) remitted.

When asked about other modes of money transfer (post office) or savings (LIC, post office) or any other semi formal sources, he answered that he had no idea about these and stated that "I have no extra money to be saved and I have never tried at all because I have no [ID] either in Delhi or at my village" and added "is there any need when I have a friend's account to save and a courierwala to transfer money?"

Related Issues

Generally, rickshaw pullers set their prices based on the distance to be pedaled, rather than the socio-economic profile of their passengers. However, some respondents reported instances of charging differential rates for local Indian passengers and foreign tourists. Others, especially focus group discussants, said that they did not use this strategy because foreign tourists had often asked about the correct rate at their hotel inquiry desk. They did mention that some foreign tourists would give them extra money in appreciation of their services.

A few pullers did admit to assessing the passenger's capacity to pay higher rates and charging them accordingly. Some rickshaw pullers said that they would agree to carry passengers at the rates quoted by them; others would refuse to ferry if passengers tried to slash their quoted rates. The rates charged for passengers were also determined by the

extremity of weather (hot summers), bargaining power of and awareness about running rates by passengers, competition among pullers and the time of the day.

Case Study 10

Perspectives on Fares

“I charge the rate based on distances pedaled and not based on the economic background of passengers. Moreover, rich people don’t use my rickshaw they come in their own cars and park, shop and go away.”

-Tehzeel, Madhya Pradesh

“I can get only the rates that are running for different areas and distances because both passengers and we *rickshawwalas* know what is charged. Even if I quote Rs.5 (US \$0.10) more, *sawari* will react stating “*Itna banta nahin*” (It is not so much). I don’t charge by looking at whether the passenger is rich or poor. I charge what is to be charged for my work.”

-Saurav Das, West Bengal

“I charge rates both by distance and sometimes looking at the passenger’s capacity and sometimes passengers do give more on their own.”

- Mukesh, Begusarai district, Bihar

Pullers tended to be very cautious about counting their money. The study found that rickshaw pullers in general counted their day’s earnings in private (within their living space, in their rickshaw when no one was observing them or quietly away from the prying eyes of others in their public abode). This was done both to keep their money safe, and for a superstitious reason, because money seen by evil eyes is likely to be wasted or reduced. However, the pullers who shared their rented quarters either with fellow villagers or with kith and kin said that they did not worry about counting money in front of their roommates because of their mutual trust.

The study also explored how much information pullers shared with one another about the risk of losses (theft, deception), either that they had experienced themselves or that other pullers had experienced. Findings indicated mixed responses – ranging from philosophical or practical passivity because money lost cannot be recovered or they had no local or public support (e.g. police). Others chose to share information moderately so that other pullers could be more cautious.

The study’s findings indicated that a majority of the sample respondents did not belong to any union or association, and there was little awareness¹⁴ about any existing union..

¹⁴ It was reported in a news report, “Delhi’s Graveyard of Rickshaws” by Madhu Gurung (from InfoChange India News & Features development news India) that after India’s independence a cooperative society of rickshaw pullers formed for the purpose of getting them licenses for rickshaw pulling as well as an alternative to garage owners. However, the experiment did not last.

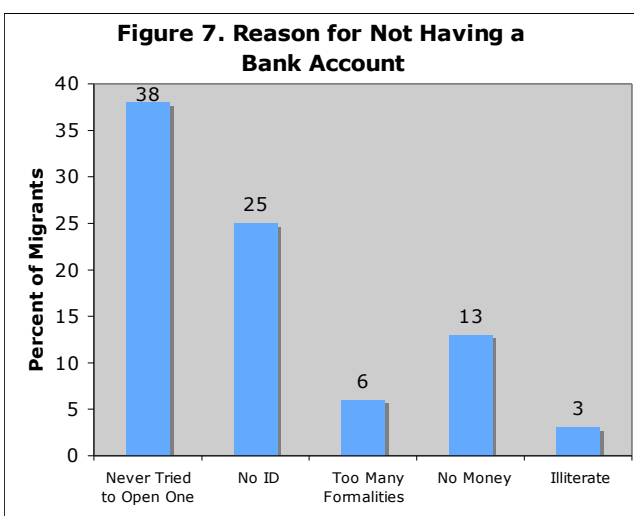
The nature of their occupation and circulatory migration between their villages and Delhi make mobilizing and organizing the pullers under some associational capital (union or association) extremely difficult. Their homelessness, mobile lifestyle, and lack of identification documents only present further challenges. Other problems have to do with the illegal status of the rickshaw pullers, which makes legal organization challenging.¹⁵

However, mobilizing the rickshaw pullers may still be possible for two reasons. One, the study found that rickshaw pullers generally operate in clusters in the same general area of Delhi. A high proportion of them had worked for more than two decades in the same areas of Delhi. Two, there are some rickshaw pullers unions in parts of Delhi that have a limited number of members.¹⁶

The study also found that the absence of a union has resulted in unfair returns for pullers' labor. Anecdotal reports suggest that the rickshaw pullers' rates are almost stagnant, since they tend to be arbitrarily fixed by outside factors, including the passengers' bargaining powers and competition among the multitude of pullers in Delhi.¹⁷

Perceptions of Financial Inclusion

An overwhelming 76% of sample respondents confirmed the need for safe and secure financial services. A full 51% percent of pullers expressed high level of interest in such facilities. Safe and secure financial services would help to relieve pullers of the regular efforts, costs and time they must spend safe guarding their hard earned money. The level of interest in obtaining a bank account was also very high amongst 66% of rickshaw pullers in the study.



While some rickshaw pullers were positive about the possibility of a safe alternative to using banks, others were cautious to the point of doubt or disbelief. Findings showed that 52% of rickshaw pullers in the study definitely wanted access to a safe and flexible alternative to branch banking account. However, 16% of pullers didn't believe it was possible. Another 13% was undecided, and 6% were uncertain about whether such a thing was possible. Overall, these

¹⁵ Menon, Sindhu, "The Relentless Struggle of Rickshaw Pullers" 6 March 2010, www.docstoc.com

¹⁶ The author tried to contact one such union in Karol Bagh from the information gathered during field work, but it was a futile effort as the address and contact number was incorrect.

¹⁷ "The Rickshaw Pullers of Delhi University"

http://www.all Sands.com/travel/places/rickshawpullers_zem_gn.htm

results make a strong case for financially integrating this marginalized and deprived migrant population. Even financial inclusion without a bank account would help move them from the periphery of urban development to enjoying the fruits of their contribution to the informal economy.

Though the asset base of a substantial proportion of rickshaw pullers was negligible or non-existent, nearly one-quarter of interviewed rickshaw pullers owned a mobile phone, suggesting that mobile banking may open up new avenues for this disenfranchised population.

The problems listed below are the four levels (social, personal, economic and market-based/systemic¹⁸) of barriers to the financial inclusion of cycle rickshaw pullers that were discovered through this study.

Social:

- Mobile habit and homelessness
- Lack of homogenous culture
- Largely from socially and economically backward castes
- Low occupational status
- Feeling of hopelessness and lack of confidence
- Lack of guidance and social isolation

Personal:

- Low levels of literacy
- Lack of awareness
- No personal identity documents in migrated place (Delhi)
- No proof of address in Delhi
- No personal identity documents at place of origin for 50% of sample, as well as no banking history
- Lack of time due to nature of livelihood
- Feeling of being excluded
- Low financial literacy related self-exclusion from accessing banking services

Economic:

- Low, irregular and unpredictable income streams
- Landlessness
- No or low asset base
- Low value cash savings and high volume of transactions
- Lack of financial literacy
- Lack of awareness about the benefits of savings in a bank account
- Lack of awareness about 'No Frills Account' program

Market/systemic:

- Lack of access to formal services
- Lack of suitable places to keep savings
- Exclusion due to Know Your Customer norms

¹⁸ Market and systemic barriers to financial inclusion are known and identified in a number of studies.

- Insensitive bank staff
- Disconnect between bank's concern for inclusion and field efforts
- Lack of suitable financial products

These social, economic, personal and market-based/systemic entry barriers work in tandem to financially exclude the disadvantaged and marginalized migrant rickshaw pullers. Rickshaw pullers manage their money in creative and ingenious ways and utilize informal mechanisms and arrangements for financial services because they have been shunned by the formal, regulated system. Even when efforts are made to study and include groups like migrant cycle rickshaw pullers, many other barriers remain, effectively preventing financial inclusion.

The biggest challenge for migrant pullers is their inability to comply with the 'Know Your Customer' (KYC) norms, which require valid proof of local identity and place of residence in Delhi. The Reserve Bank of India (RBI) has attempted to address this issue by loosening the KYC norms. RBI has actively pursued its financial inclusion agenda by directing the banking sector to make available basic banking "no frills" account either with nil or very low minimum balances, as well as other charges that would make such accounts accessible to large segments of poor in India.¹⁹ However, many other barriers still remain.

Case Study 22

Holds a 'No Frills Account'

Yet Gullible To Accept Advice About Building Up Informally First!

Suresh Kumar comes from a backward caste from Gonda district in Uttar Pradesh. He did not study further than class 3. He is landless, but he owns two other assets – a mobile phone and a CD player at village and he sported a wristwatch. He had returned from the village very recently after staying in the village for a year because his son was quite unwell and passed away recently.

He narrated that earlier he used to keep his savings with a shopkeeper (juicewala) but he has a bank account now that was opened on 23 July 2009 with the State Bank of India in Chandpur in Gonda district of Uttar Pradesh. However he learnt about it on 29th August 2009, two days before he left for Delhi. From the scanty information obtained, it is surmised that he had got a "No Frills account" based on his voter's ID and BPL card. After his account was opened, he had deposited his two days savings of Rs.200 (\$4.26) with another shopkeeper (chaiwala) on 2nd September 2009 because chaiwala had advised him that it is best to accumulate at least Rs. 1000 (US \$21.27) with him first and then deposit a lump sum in his village account afterwards.

¹⁹ Udeshi, K.J. (2010). Udeshi argues that though significant progress has been made in opening these accounts for the poor in India, there is also evidence that most of these accounts were opened in rural areas but the progress has been tardy for the urban poor. For instance, a study by Banking Codes and Standards Board of India showed poor awareness about "no frills" accounts and relaxed KYC norms amongst the bank staff itself. There was also a general lack of willingness by the bank staff to open "no frills" accounts for the urban poor. See "Financial Inclusion for the Urban Poor" downloaded from http://inclusion.skotch.in/index.php?option=com_content&view=article&id=416

Concluding Observations: the Way Forward and Technology as an Enabler

The results of the analysis suggest that despite their mobile lifestyle and unstable earnings, migrant rickshaw pullers are potentially bankable. This is evident from the savings that they regularly accumulate, as well as the remittances transferred by the sample respondents. In spite of their difficult living conditions and imperfect money storing arrangements, the poor do manage to save – albeit in small and variable amounts.

Because they could not access formal financial services, rickshaw pullers were heavily dependent on informal service providers and other risky arrangements. Even though rickshaw pullers themselves are aware of the negative aspects of these informal mechanisms, the fact that migrants continue to use them confirms the importance of financial services in their lives. If the vulnerability of the poor is to be reduced, providing them with a reliable, secure and safe mechanism to save and remit is absolutely necessary. Poor rickshaw pullers need access to “banking services.”

Since 85% of the Indian workforce is in the informal sector, the requisite financial services can be provided at scale through the formal banking sector. However, there are a number of key challenges that must be surmounted to make growth inclusive. One key challenge discerned from the findings of the study is that the earnings of rickshaw pullers are irregular, uncertain and unpredictable. Consequently, a substantial percentage of their financial transactions, especially saving, would involve low values and many transactions.

Rickshaw pullers in the sample have the capacity to engage in micro-savings and would need flexible withdrawal options as well. However, the nature of their occupation might inhibit transaction with a bank branch, because visiting a branch would mean the loss of productive time and subsequently lost earnings. Other focal challenges that must be overcome to extend banking services to the migrant rickshaw pullers are the need for flexible and convenient of banking services, their lack of valid proof of local address due to their mobile lifestyle, and their lack of awareness about benefits of a bank account.

Access to financial services for the poor requires a different outlook, including innovative products suitable to a migrant population. The migrant rickshaw pullers ideally can be connected with the banking services by making them available at their doorstep and by offering flexible products in terms of the amount of deposit, time and complexity of procedures. In many ways, technology holds the key to financial inclusion of migrant workers in informal sectors like rickshaw pulling. Technology can facilitate access to financial services in a cost effective manner, particularly given how large the population of urban migrants is in a city like Delhi. Technology-based solutions would go a long way towards achieving low-cost, convenient and accessible financial services for the poor.

One of the biggest challenges lies in providing migrant friendly technologies. Branchless banking experiments that provide microfinance services are being offered by Zero Mass Foundation, ATOM Technologies, EKO Technologies and FINO in India. These initiatives are based on technology like smart cards, biometric cards or mobile banking. Mobile money is one of the most promising, with over 500 million mobile connections across India. A number of M-Banking initiatives for inclusion are currently underway in India. Many Indian banks are experimenting with the use of mobile phone technology through the route of the business correspondent model. For example, EKO²⁰ offers a pure cell phone based model on a core banking platform called SimpliBank²¹ in partnership with the State Bank of India²² by launching the “SBI Mini Savings Bank Account” to low income households in Delhi and a few states in northern India. Available reports indicate that Eko’s mobile money program is quietly ushering in a financial revolution by providing doorstep service for the urban poor in Delhi.

Other critical measures that can go a long way in financial inclusion relate to willingness of banks and sensitization of bank staff, and programs like creating specialized customer acquisition teams to link the excluded urban poor migrants, create financial literacy and bring in excluded segments by civic society²³ would better prepare the urban poor with required documents to convince banks to open accounts.²⁴

Recommendations

The study on the money management behavior of cycle rickshaw pullers has important implications for the banking and microfinance sectors regarding how to design, market and deliver products that appeal to low-income users and are also viable for the financial institutions. These products are essential for the financial inclusion of this segment of the urban poor. The most significant insight is that rickshaw pullers are potentially bankable; the banking sector may be able to mobilize savings and remittances from rickshaw pullers by offering migrant friendly products.²⁵ Such products would make the best use of

²⁰ Operated by EKO Aspire foundation / EKO India Financial Services Pvt.Ltd, New Delhi.

²¹ Eko’s SimpliBank is the application or the server that captures all mobile transaction, processes them and then reconciles the same with the core banking systems. This middleware understands transactions done by customers at a retail point and it is designed with mobile phone as its primary transaction interface.

²² State Bank of India (SBI) is the largest and most trusted public sector bank in India with a giant presence in terms of branches and accounts in rural and urban centres.

²³ Some NGOs and MFIs like Gramin Vikas Trust in Jhabua and Ratlam Districts of Madhya Pradesh and Dahod and Panchmahal districts of Gujrat, Aajeevika Bureau in Udaipur have been working with migrants and provide many migrant support services including registration and identity and intermediating between service providers like banks, insurance companies etc.

²⁴ Based on inputs provided by N.Srinivasan through the UN Solution Exchange-microfinance community in response to a query on financial inclusion of urban poor and issues related to identification, May 2010.

²⁵ In this context, the experience of Rajasthan Shram Sarathi Association (RSSA0, a section 25 Company promoted by Aajeevika Bureau (www.aajeevika.org) working in the area of microfinance services for seasonal migrants provide some useful insights about creating financial products by understanding the financial behaviour of the seasonal migrant population. In RSSA’s experience, seasonal migrants are a bankable population.

the features of the informal saving methods popular among this urban poor group, as well as by improving upon the negative aspects of the informal mechanisms.

A key driver for banking the unbanked is low cost technology solutions, especially mobile banking. The banking sector must begin to cater to this large untapped migrant market segment to integrate them into a path of inclusive growth. Though a large pool of migrant rickshaw pullers and other migrant groups may be at the periphery of the urban economy, their capacity to save in small and variable amounts illuminates the truth that poor migrants are bankable. Financially including them would be a viable strategy for the mainstream banking institutions.

There is profit at the bottom of the pyramid. It is the right time to get the business models and innovative products that fit the different segments of urban poor migrants. The banking sector should target the urban poor as customers, not as beneficiaries, as suggested by C.K. Prahalad in his popular work “*Fortune at the Bottom of the Pyramid.*”

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