

Benchmarks >

Nifty LIVE

9,002.05 -109.85



NSE Gainer-Large Cap >

The New India Assur...

119.45 10.35



FEATURED FUNDS

ICICI Prudential Bluechip Fund
Direct-Growth

★★★★★

5Y RETURN

3.14 %

INVEST NOW

Stock Analysis, IPO, Mutual
Funds, Bonds & More

Market Watch

Coronavirus lockdown: Banks stare at defaults as cabbies go home

BY LIJEE PHILIP & ALNOOR PEERMOHAMED, ET BUREAU | UPDATED: APR 13, 2020,

08.17 AM IST

Post a Comment

Mumbai | Bengaluru: The exodus of cab drivers from Indian metropolises in the wake of the Covid-19 [pandemic](#) will trigger a massive default in vehicle loans, according to industry executives who have sought concessions from lenders so as to stave off large-scale writeoffs.

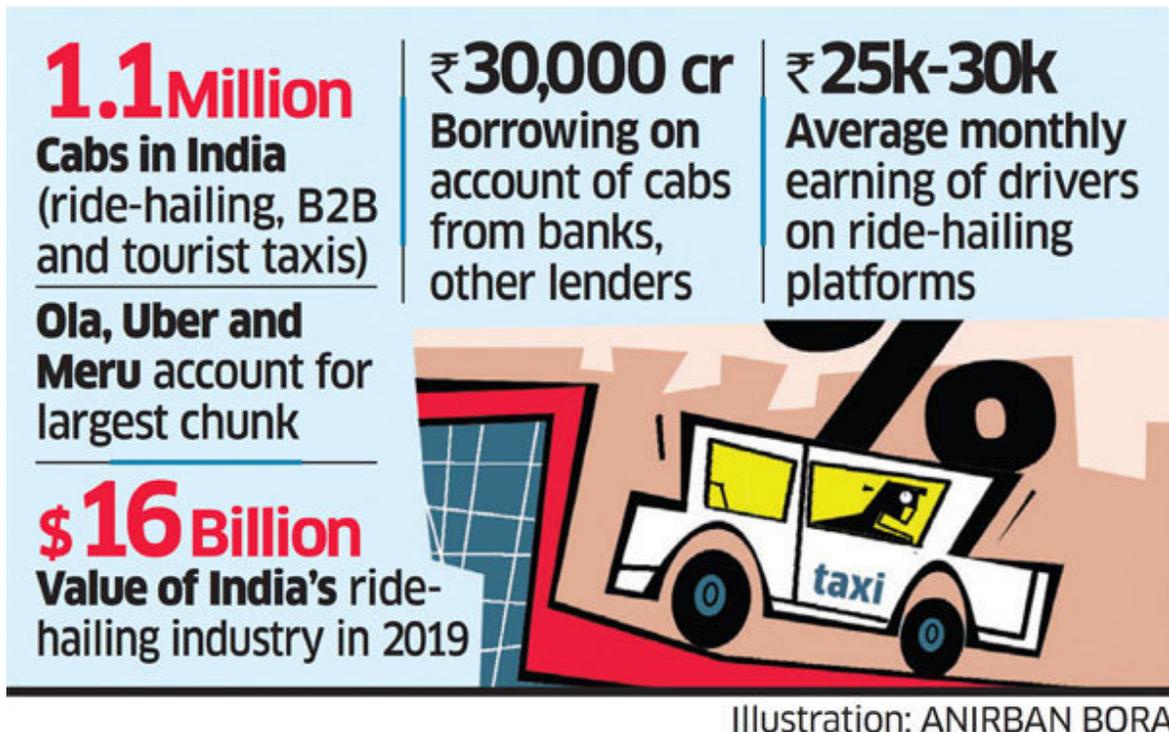
Big Change:
[The end of Five-Year Plans: All you need to know](#)

With nearly 60% of drivers engaged by app-based ride-hailing companies being migrants, the segment represents a huge risk for lenders who have provided loans to nearly 80% of the cabbies executives told ET.

“Most drivers don’t think it is lucrative enough to come back. Given the seasonality and the current pandemic, I see at least 30-40% of the drivers not coming back,” said Neeraj Gupta, CEO of ride-sharing company Meru.

Gupta expects the business to revive only by July or August. “Drivers tend to take up alternative professions when in their villages and towns,” he said. There are about 1.1 million cabs across the ride-hailing, B2B and tourist taxi segments, which collectively amount to almost ₹30,000 crore in borrowing, according to Gupta.

An executive for ride-hailing giant [Ola](#) pegged the number of drivers that could default on loans at 30% of the total base.



Banks Preparing to Extend Moratoriums

“It’s going to create a big problem for banks if they don’t offer more relaxations. We’re working on it,” the Ola executive said, on the condition of anonymity.

Even as ride-hailing companies have begun negotiating on behalf of the drivers with banks, lenders have begun preparing to extend moratoriums till as late as December, while some are even preparing for the eventuality of seizing assets and redeploying them at lower rates to avoid writeoffs, industry executives told ET.

Cab aggregators, meanwhile, have set up funds to ensure a basic amount of earning for drivers through the lockdown period as well as medical insurance in case drivers or their families contract the virus. Uber has put together a Rs 25-crore relief package for drivers with the aim to raise another ₹25 crore, a company representative said.

Ola, too, is raising a Rs 50-crore fund to provide drivers with cash to meet daily expenses, the company announced in a blog a few days ago. Ola did not reply to ET’s queries on this report.

DRIVERS MOSTLY MIGRANTS

India’s cab driver community comprises mostly migrants, who typically return to their hometowns during the harvest season from April to June. However, this year due to the uncertainty around the Covid-19 pandemic, a huge number of drivers is scouting for alternative careers.

“There will be a new set of drivers who will come in as the previous contract will be closed and new ones renegotiated, implying financiers will have to bear some losses. The vehicles will be repriced and offered to the new drivers for longer periods and lower EMLs,” said Ramesh Iyer, MD of Mahindra Finance.

Experts feel that only the promise of good earnings will induce drivers to return.

(This story has not been edited by economictimes.com and is auto-generated from a syndicated feed we subscribe to.)

Stay on top of business news with The Economic Times App. [Download it Now!](#)