



The Highly Profitable Business of Motorcycle Taxi (Okada)

A booming transport solution in urban and rural Ghana, offering daily income and low entry barriers for aspiring entrepreneurs.

The Motorcycle Taxi Business Vs Investing in Stocks and Bonds

The graph above illustrates the stark contrast between the average annual return on investment for a motorcycle taxi business and those for stocks and bonds. With an investment of \$1,000.00, a motorcycle taxi business could generate an average annual free cash flow of \$8,500.95, compared to \$1,327.33 from 364-day Treasury Bills and \$1,044.10 from the Ghana Stock Exchange (GSE) Index over a three-year period. These figures are based on investing Treasury Bills at the last three-year December average yield of 32.73%, assuming the GSE Index maintains the last three-year average annual return of 4.41%, and that the motorcycle taxi business follows the financial model outlined in the table 1. However, it is important to note that past performance of stocks and bonds is not necessarily indicative of future results.

Requirement for starting a motorcycle taxi business

Fuel and maintenance and repairs represent the highest operating expenses in the motorcycle taxi business, accounting for approximately 73% of total operating expenses and 41% of total budget. Of these, maintenance and repair costs are the largest, with riders often needing to visit the workshop as frequently as twice a week

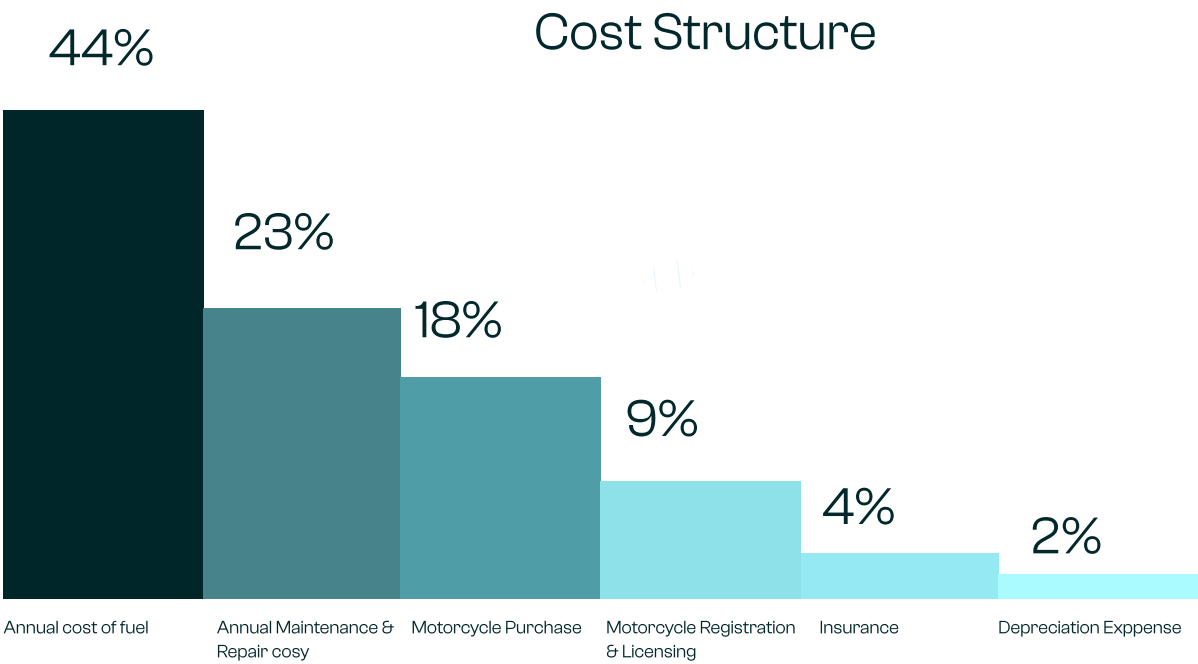
Registration: Register each motorcycle with the DVLA and obtain the required license plates

Mandatory Insurance: Obtain the required third-party liability insurance as mandated by Ghanaian law

Motorcylce Taxi (Okada): Summary of Cashflow Analysis

Description	Unit	Year 1	Year 2	Year 3
Average fare per Kilometer	GHS/KM	7.50	9.00	10.80
Average Trip Distance	KM	2.00	2.00	2.00
Revenue Per Trip	GHS	15.00	18.00	21.60
No of trips Per Day Per bike	Trips	10.00	10.00	10.00
Daily Revenue Per Bike	GHS	150.00	180.00	2.00
Operating Days Per Year	Days	260.00	260.00	260.00
Total Annual Revenue Per Bike	GHS	39,000.00	46,800.00	216.00
Number of Bikes	Bikes	1.0	1.00	10.80
Total Annual Revenue	GHS	39,000	46,800.00	56,160.00
Capital Cost				
Motorcycle Purchase	GHS	10,000.00		
Maintenance Capex	GHS	1,000.00	2,000.00	2,400.00
Total Capex	GHS	11,000.00	2,000	2,400.00
Operating Cost				
Fuel Efficiency	KM/L	20.00	20.00	20.00
Annual Distance Covered	KM	5,200.00	5,200.00	5,200.00
Annual Liter Used	L	260.00	260.00	260.00
Fuel Cost Per Liter	GHS/L	15.50	18.60	22.32
Annual Cost of Fuel	GHS	4,030.00	4,836.00	20.00
Average Maintenance & Repair Cost	Frequency	200.00	230.00	264.50
Average Frequency of Maintenance & repairs	GHS	26.00	52.00	720.00
Total Maintenance & Repair Cost	GHS	5,200.00	11,960.00	20,366.50
Insurance	GHS	500.00	600.00	700.00
Bike Registration & Licensing	GHS	1,000	1,200.00	1,440.00
Depreciation Expense	GHS	2,000	2,600	3,030.00
Total Operating Expense	GHS	12,730.00	21,196.00	31,409.70
Economics				
Average EBIT	GHS	26,70.00	25,604.00	24,750.30
Average Operating Margin	%	67%	55%	44%
Average Operating Margin	GHS	15,270.00	23,604.00	22,350.30
Return on Investments	%	138.8%	1180.2%	931.3%

The values in the table represent a three-year cash flow projection of a motorcycle business. Growth is assumed to come solely from inflation, which is projected at 20% over the three-year period. The tax rate is set at 0% and the table assumes no increase in the number of motorcycles and no reinvestment of cash flows. The motorcycle taxi business has the potential to be highly profitable, with an operating income margin of around 55% and a high average return on investment of 750% based on the three-year projected cashflows



Some Major Associated Risks in the Motorcycle Taxi Business

- Risk of Accidents:** Motorcycles are more prone to accidents compared to other modes of transportation, especially in high-traffic areas or on poorly maintained roads. All riders would need to wear helmets and other protective gear.
- Motorcycle Theft:** Motorcycles have a higher risk of being stolen or vandalized, especially in areas with high crime rates..
- High Competition:** Motorcycle taxis face significant competition from other motorcycle operators, traditional taxis, and ride-hailing services like Uber and Bolt.



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