Auto retail sector chases three crore annual sales amid financing overhaul

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The auto retail industry is on track to cross the three crore annual vehicle sales milestone this fiscal year, underpinning a vehicle finance market estimated around ₹2.65 lakh crore and a motor insurance industry nearing ₹1.25 lakh crore.

As the financial ecosystem expands, automobile dealers are urging banks, NBFCs and insurers to adopt dealer-centric credit models, real-time funding dashboards and integrated digital platforms to improve working capital, reduce settlement delays and enhance customer experience.

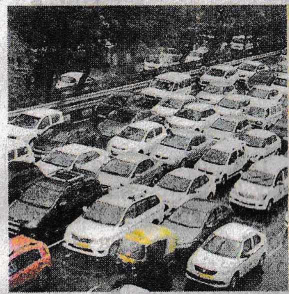
These issues came into sharp focus at the Federation of Automobile Dealers Associations' (FADA) fifth Banking & Insurance Summit on Friday, where FADA President CS Vighneshwar joined senior executives, including Abhinav Garg of AU Small Finance Bank, Baneswar Banerjee of Mahindra & Mahindra Financial Services, Puneet Dhawan of Tata Capital, Rohit Chhabra of ICICI Lombard General Insurance, Gurpreet Singh of New India Assurance, Neelakanta M of IFFCO Tokio General Insurance and Suraj Vasudev of SBI General Insurance, to deliberate on the next phase of automotive retail finance and insurance.

MEASURABLE GAINS

The discussions highlighted measurable gains across the ecosystem. Insurance claim turnaround has reduced from nearly two months to a matter of days, FADA's finance satisfaction score has improved to 841 from 786, and retail funding penetration has reached around 80 per cent. Dealers, however, said the next phase must focus on dealer-centric underwriting, real-time financial visibility and seamless digital integration.

"Insurance and finance are perhaps the two most important partners we work with. One covers the risk of the vehicle, while the other facilitates vehicle ownership. We also use this platform to highlight dealers' common pain points," said CS Vighneshwar, President, FADA.

Calling finance "the oxygen of our business," Sachin Sharma, Governing Council Member, FADA, said faster financing remains critical even as technology transformsecosystem. Panelists said AI-led underwriting, e-KYC, digital bank statement analysis and automated document verification have reduced many loan approvals from days to minutes.



DEALER CREDIT

A key theme at the summit was the need to move beyond OEM-linked lending models. Dealers argued that funding should increasingly reflect a dealership's own financial strength, profitability and repayment record.

"Everybody should be scored based on dealer performance, financial strength and track record. It should not be purely from the OEM lens," said Baneswar Banerjee, Head of Automotive Loans, Mahindra & Mahindra Financial Services, reflecting the broader consensus that dealer-level credit assessment would create a more transparent funding framework.

Participants also backed integrated dealer portals offering real-time visibility into inventory funding, credit limits, interest costs and transaction history, replacing periodic statements with connected digital platforms.

"Dealers will definitely get a dealer portal where they can raise queries and access real-time information," said Puneet Dhawan, Business Head – Medium & Commercial Vehicle Finance, Tata Capital.

DIGITAL INTEGRATION

Insurance executives said digital claim intimation, e-surveys, automated documentation and AI-enabled workflows have significantly improved claims processing. However, a recent FADA survey found 65 per cent of dealers still cited survey appointments and claim approval turnaround as major pain points.

Rohit Chhabra, Head of Motor Insurance & Extended Warranty, ICICI Lombard General Insurance, said greater visibility across every stage of the claims process would improve transparency for both dealers and customers.

Participants added that total-loss settlements have improved by months, but still require tighter digital integration among insurers, financiers and authorities.