

# Loans for buying cars a rising trend

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More and more Indians are purchasing cars on loans now vis à vis the pre-Covid-19 period, with finance penetration for passenger vehicles (PVs) increasing from 72-75 per cent in 2019 to 77-80 per cent in 2023, according to JATO Dynamics' data, which has been reviewed by *Business Standard*.

“The availability of credit itself, with more banks coming in, the rise in rural sales with more NBFCs (non-banking financial companies) participating, the rise in the share of fleet sales, the drop in interest rates, and banks coming out with tailor-made products for car buyers — all have contributed to this growth,” Shashank Srivastava, senior executive officer, marketing and sales, Maruti Suzuki India (MSIL), told *Business Standard*.

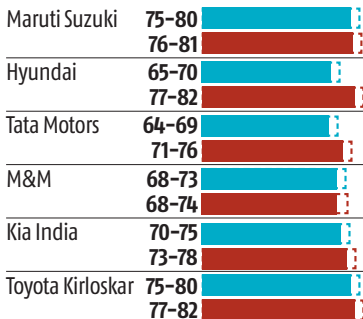
Fleet sales, which comprise car sales to companies, organisations, and government entities that own a fleet of cars, have also seen a significant increase.



## STEADY CLIMB

Finance penetration in total sales volume of top PV makers in India (%)

■ 2019 ■ 2023

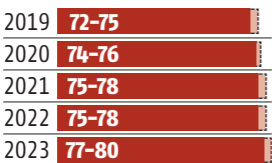


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Source: JATO Dynamics

## INCREASED PENETRATION

Finance penetration in total sales volume in India's PV sector (%)



Source: JATO Dynamics

## Car loans...

“In 2019, fleet sales were less than 2 per cent of our total sales volume. Right now, their share has increased to 10-12 per cent. About 95 per cent of the cars sold as fleet sales are financed through loans. So, any percentage increase in fleet sales adds disproportionately to the financial penetration,” Srivastava explained.

Among the leading car manufacturers in India, Hyundai and Tata Motors have seen the most significant growth in their finance penetration since 2019. Hyundai's penetration has risen from 65-70 per cent in 2019 to 77-82 per cent in 2023, while Tata Motors' finance penetration has surged from 64-69 per cent to 71-76 per cent during the same period.

Only MSIL responded to *Business Standard's* queries on this matter. Ravi Bhatia, president of JATO Dynamics India, attributes the rise of finance penetration for PVs in the country to rising vehicle prices, easier loan availability, growth of the middle class, and improved economic conditions. “The cost of cars has been steadily increasing in India, making it more challenging for buyers to pay upfront. Auto loans provide a way to overcome this hurdle and make car ownership more accessible,” Bhatia said.

Banks and other lenders have become more willing to offer car loans in recent years, with relatively attractive interest rates and flexible repayment terms, Bhatia said.

MSIL's Srivastava noted that the number of private banks extending loans to the company's customers has more than doubled since April 2018 — from six to 13. Similarly, the number of such NBFCs has risen from six to eight.

The finance penetration of India's largest carmaker, MSIL, increased from 75-80 per cent in 2019 to 76-81 per cent in 2023, according to JATO Dynamics. Srivastava shared the exact numbers, stating that the finance penetration for MSIL increased from 80.3 per cent in 2018-19 to 81.3 per cent in the April-December period of 2023-24.

NBFCs, unlike banks, generally lend money without collateral, enabling them to lend money to people who do not have a credit history or assets for collateral, albeit at slightly higher interest rates. “That is why the credit availability to buy cars in rural areas has increased. That is reflected in the increased share of NBFCs in the overall retail loan market in the automotive sector,” Srivastava noted.

“In the past five years, the share of NBFCs in our total loan book has increased from about 19 per cent to about 23 per cent. This has also helped us in increasing our rural sales,” he further said.

Banks are now coming out with tailor-made products for car buyers. If a car buyer adds accessories of ₹50,000 to his/her new car, the bank is willing to give the customer a loan on the final price of the car, inclusive of all these expenses and other taxes. Earlier, banks did not give loans on the on-road price as the underlying used car market was not so well developed, an auto industry executive said.

There are “step-up schemes” available, where EMI will increase gradually with the passage of time. Also, there is a “balloon” scheme under which the EMI will remain small for years and, in the end, a big payment has to be made.

Srivastava of MSIL said that if interest rates are increased in 2024, the overall volume could be impacted.

## FPIs...

In effect, overseas funds will have seven months to comply with the new disclosure norms.

As a result, the sources said, no panic selling is expected, as feared by some market participants. Initial estimates by the Securities and Exchange Board of India (Sebi) suggest that the assets held by FPIs with holdings above the thresholds were around ₹2.6 trillion. The sources said that with the exemptions given in the stan-

