

Wheeling in the bucks



Graphic by J.A.Premkumar

The study says that a majority of the car buyers prefer to use their personal savings to purchase a new vehicle.

OF the two basic decisions involved in the purchase of a car - the choice of model and financing it - making the first one may be relatively easy compared to the second. Some would say that deciding on the model is not easy given the wide array of choices now available. But even that may appear simple once the stage is passed and we get down to the important question of how to finance the purchase.

There are any number of questions that would confront the buyer. Such as: Should I finance the deal wholly out of my own pocket? Should I opt for a finance scheme? If I opt for a finance scheme, which company should I go to? Are all

auto financiers the same in terms of the schemes that they offer? Which are the ones that offer the best rates and services? What should be the extent of my down-payment?

Choice of finance option

The answers to some such questions in this survey are revealing. Car financing may be big business, but if the survey is to be believed, a major proportion of car buyers prefer to use their personal savings to purchase a new vehicle. As much as 76 per cent of new car buyers prefer to use their own savings while about 59 per cent of car buyers say that finance would be their first choice. Though about three-fourths of the respondents said they would

like to use their personal savings it obviously does not work out that way going by the number of car-finance schemes available. And while 47 per cent of the respondents declare that they used just one source of finance, 41 per cent say they went in for two. Three per cent say they went in for as many as four or five sources for financing the purchase of their car.

Delhiites seem to take the cake in leveraging on their finances - as many as 71 per cent of respondents prefer to opt for loans as their first choice compared to the national average of 59 per cent. Only about 65 per cent of Delhiites prefer to put their own savings upfront in a car. Being smart as they obviously are, they also say that low interest rates are their prime consideration - services offered by the lender take the back-seat. About 95 per cent of the respondents slotted low interest rates as their top priority while the time taken for the loan to be sanctioned was the least priority. At the other end of the spectrum is the Bangalorean who obviously

believes in putting his money where his mouth is! As many as 86 per cent of car buyers in Bangalore prefer to do so from their own savings.

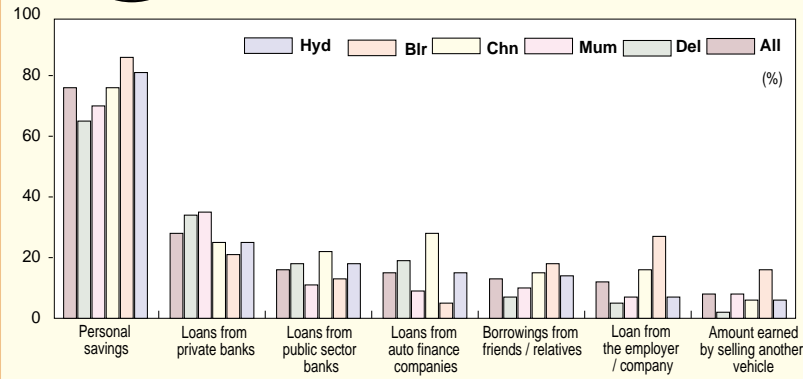
Banks - private and public sector - seem to score over auto finance companies when it comes to being the preferred lender. About 28 per cent of respondents prefer to go to a private bank while 16 per cent opted for a public sector bank. Only about 15 per cent of car buyers like to take the road to a finance company. However, the Chennaiite differs in this respect. He prefers a loan from an auto financing company to a bank. One reason could be the existence of a quality finance company in Chennai in Sundaram Finance of the TVS group. Banks come lower down the pecking order for the Chennaiite. However, Bangaloreans and Mumbaikars don't seem to like finance companies - only about five per cent and nine per cent of the respondents preferred going to a finance company.

The dominance of private banks

When it comes to a lender of choice, most potential car buyers seem to prefer a bank to an auto finance company.



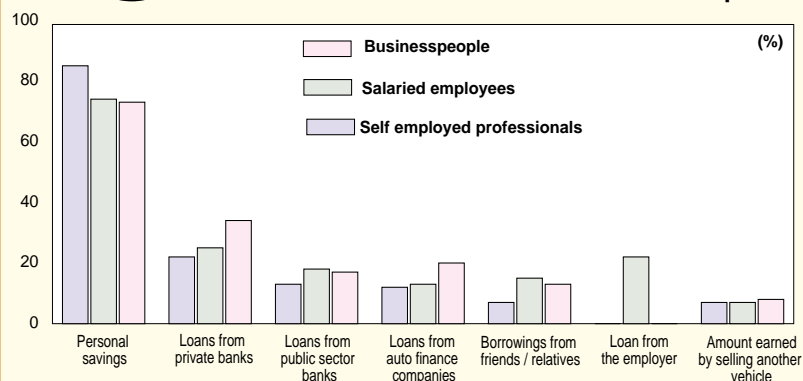
How the car purchase was financed



In some cases column totals may not add up to 100 per cent as multiple responses were elicited from respondents.



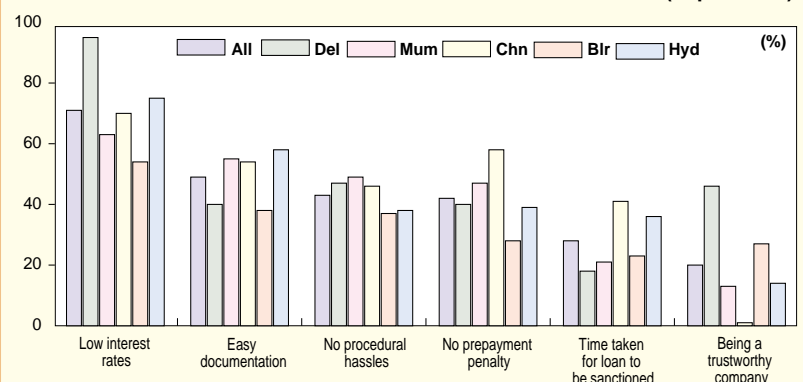
Finance sources based on occupation



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What factors influenced finance choices (Top 3 ranks)



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in the auto financing business is maximum in Delhi and Mumbai, where about 34 per cent and 35 per cent respectively of the respondents preferred a private bank. On the other hand, public sector banks score over private banks in Chennai.

Personal savings for the self-employed

For obvious reasons, the self-employed – those in business or professional practice – prefer to use their personal savings than going to a lender. About 85 per cent of self-employed people preferred to use their own money while about 12 per cent said that they would not mind going to a finance company. In comparison, only 74 per cent of salaried class buyers opted to use their savings. Though this, by itself, is a significant number, it is still lower than the self-employed category. About 22 per cent of salaried buyers hoped to purchase a new car with loans from their employers.

Low interest rates rule

Clearly, low interest rates are the decisive factor in opting for the choice of lender. About 71 per cent of the respondents all over the country listed it as their first factor with easy documentation and hassle-free procedures following in that order. Delhiites (95 per cent), Hyderabadis (75 per cent) and Chennaiites (70 per cent) take the prize in that order for identifying

interest rates as the decisive factor. For the Mumbaikar, convenience is a prime consideration - as many as 55 per cent and 49 per cent respectively identified easy documentation and hassle-free procedures as important considerations in choice of a financier. Considering that the average Mumbaikar is rushing against time most of the time, convenience being a prime consideration is understandable.

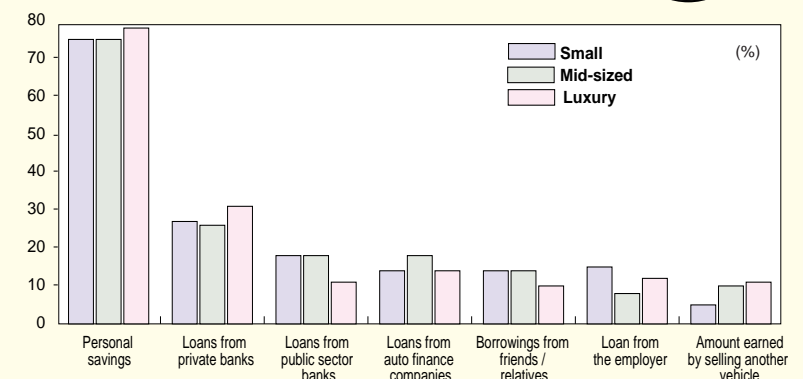
Not so understandable is the Chennaiite saying that the lender being a trustworthy company is the least priority. Only about one per cent of car buyers in Chennai seem to think that is important. Considering that Chennai has been witness to many a collapse of finance companies operated by fly-by-night operators, this indiscretion is shocking. It may be because in this case it is the money of the lender that is with him than the other way round!

A matter of recall

ICICI (54 per cent) and Citibank (47 per cent) seem to have the highest recall across the country as auto financiers. ICICI is the preferred financier in Mumbai while Citibank scores in Delhi. There are some interesting regional trends as well. About 35 per cent of Chennai car buyers preferred the local Sundaram Finance while about 20 per cent of Bangaloreans preferred their favourite local bank - Canara Bank.



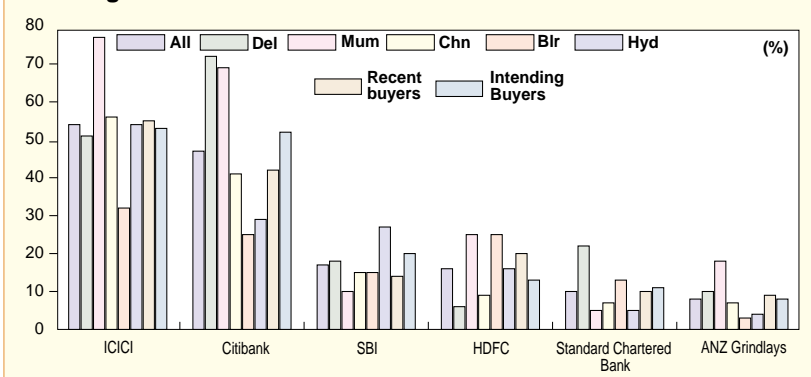
Finance sources based on car size



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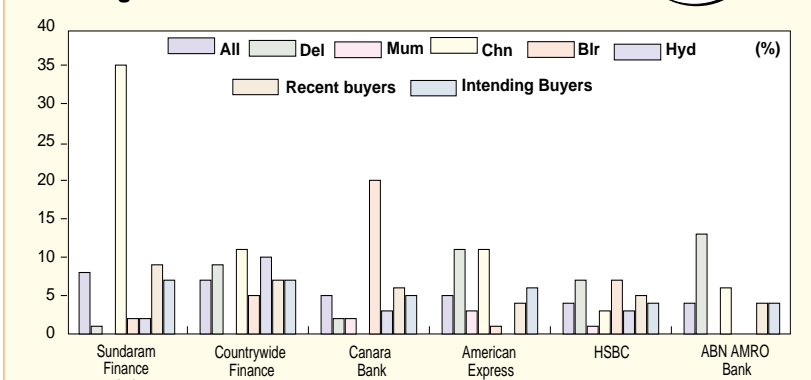
How high is awareness of finance cos.-1



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How high is awareness of finance cos.-2



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