

Asia-Pacific Used Car Financing Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

Market Report | 2023-01-23 | 70 pages | Mordor Intelligence

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Report description:

The Asia-Pacific used car financing market is valued at USD 675.62 billion and is expected to reach USD 935.12 billion over the coming five years, with a combined CAGR of 5.74% during the same period.

During the COVID-19 pandemic, Asia-Pacific used car financing market witnessed a steady decline owing to the spread of the virus, and people avoided purchasing cars amid an economic crisis. In addition, markets, showrooms, and auction events were closed down as the regional government imposed strict lockdown measures. Although, after Q1 2021, everything was again on track, with the used car financing business achieving a growth phase as well.

Asia-Pacific provided an equivalent pace to the used car financing business with the presence of sparse players across South Asian countries, including small NBFC and OEM, and private banks offering subsequent options for getting used car financing. The used car market across these countries is fragmented, with several OEMs, auction houses, and pre-owned dealers striving to expand their fleet size to offer their clients a wide pool of financing opportunities. The majority of consumers who choose to buy a car with some sort of financial aid often seem to rely upon the financing services offered to them. This fact can be merely attributed to used automobile financing options which are currently available at the cost of around 13-15%, which presents a huge potential for both manufacturers and financial institutions. In a country like India, the used automobile market is currently about 1.3 times larger than the new car market, which will probably present opportunities for the sector.

Considering these potential factors, demand for used car financing in Asia-Pacific is expected to remain on the positive side of the market over the coming years.

APAC Used Car Financing Market Trends

Scotts International. EU Vat number: PL 6772247784

tel. 0048 603 394 346 e-mail: support@scott's-international.com

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Hatchback Segment to Remain Under the Spotlight

Owing to the affordability of hatchbacks, the sales of this segment in the used car market were least disrupted during the pandemic. Hence a little over 50% of the car buyers in the country may opt for a user over a new vehicle. Hatchbacks are popular for a variety of reasons, including lower taxation than sedans while providing the same performance and comfort. Since so few new models qualify for these tax breaks, the price of used hatchbacks remains unaffected.

Hatchbacks have been the bestselling cars in Asia-Pacific since they were introduced in the early 1980s. The segment has shown a similar sales trend in the pre-owned car segment. Major international automakers, including Chevrolet, Volkswagen, Nissan, Ford, Maruti, and Renault, have already penetrated the compact car models to tap the segment's long-term potential in the region. This has also elevated pre-owned vehicle demand for the same.

Moreover, due to the increased digitization and the ability of companies to provide immersive purchase experiences remotely, the used car market is expected to witness significant growth. Furthermore, the rise in the value-added service offering and the variety of finance providers offering credit for used cars will also contribute to the growth of the hatchback segment in the Asia-Pacific used car market.

India to Play the Pivot Role

India is leading the used car financing business across the Asia-Pacific region owing to increasing used car sales in the country. This growth is mainly attributed to the cost affordability offered by these used cars over the new cars. Further, easy finance options available readily have deeply taken a steady recovery in demand for used car financing in the market.

Growing digitization is promoting the used car financing market. Digitization helps to store, retain, and retrieve data. Almost all information is in digital format. This reduces the capital resources required and reduces the problem of storing documents. An increase in digitization in auto finance will extend end to end, including e-signatures and digital loan documents, and have an opportunity to gain an advantage over the market. For instance,

In November 2022, Spinny, which is the Gurugram-based used car retailing platform, announced the opening of its largest experiential hub in India. The newest experiential hub, which will be soon opened in Bengaluru, would offer India's largest fleet of used cars, accommodating clients offline and online, both with an inventory of more than 500 cars.

In February 2022, Kuwy launched an end-to-end digital lending platform for online car sellers. The platform allows car manufacturers, dealers, aggregator platforms, and lenders to offer digital retailing to their customers.

Significant growth of the market attributes to factors including the pandemic, changing demographics and ambitions, the addition of first-time buyers, and the availability of various financing options by companies across the market. Furthermore, more than 65 % of the pre-owned cars supplied were concentrated in metropolitan cities such as Delhi-NCR, Mumbai, Bengaluru, Hyderabad, and Chennai.

The major presence of OEMs, including Maruti Suzuki and Tata Motors, is attracting consumers for used cars and offering better financing options, thereby increasing the demand for used cars is increasing. Even luxury car makers, including Audi, also entered the used car market, which increased the sale of used premium cars.

APAC Used Car Financing Market Competitor Analysis

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The market for used car financing in Asia-Pacific is fragmented. The presence of many organized and unorganized players has created such a market scenario. Also, most auto manufacturers, apart from offering their own financing, have tie-ups with banks and other financial institutions to offer a wider choice for their customers. But the relatively easier procedures to procure a loan from various NBFCs are expected to tilt the market in their favor. Maruti Suzuki Limited, Mahindra Finance, Zhejiang Jingu Co. Ltd, Great China Finance Leasing Co. Ltd, Yixin Capital, Poonawalla Fincorp, Sundaram Finance, Bluecarz, TSM Cars, etc., are some of the major players in the market.

Moreover, the market is witnessing immense growth, with expansion and development showcased by key players ruling the arena. For instance, in May 2022, CarTrade Tech, which is a platform offers consumers to sell and buy automobiles, entered into a partnership with Cholamandalam Investment and Finance Coto finance in order to offer finance for used cars.

Additional Benefits:

The market estimate (ME) sheet in Excel format

3 months of analyst support

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