

# Factors That Affect Finance in Pre-Owned Two-Wheeler Market

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*Abstract: This paper focus in identifying the important factors that affects finance in pre-owned two wheeler market. The study shows that there is so much of enquiry for finance in the pre-owned two wheeler segment. This paper also shows the market condition in the used two wheeler segment at Thrissur and Ernakulam districts of Kerala. The customer profiling, customer's preference in vehicles, market potentiality and so on. For this purpose primary data is collected from the dealers of the used two wheelers from the Thrissur and Ernakulam districts of Kerala. The used two wheeler segment is not organized and hence the data is procured from each dealer from their respective location in the mode of interview. Even though the customers can get a brand new vehicle on finance, most of them do not prefer the new vehicle on finance and look for used vehicle on finance as per the dealers. It's seen that sales for the dealers with finance availability for customers is more than the dealers who do not have finance facility. But in the market there are only few financiers and the present financiers charge too much of rates, which hit the sales for the dealers. Most of the financiers in this segment have withdrawn from the market as the legal requirements and terms and conditions in providing finance to the customer changed. Thus, the market availability for the financiers are high and in through this paper we will identify the factors that affect finance in pre-owned two wheeler market.*

**Keywords:** Finance factors, pre-owned, two-wheeler market, used two-wheeler.

## I. INTRODUCTION

There is so much enquiry for finance in the pre-owned two-wheeler market as per the information from the dealers. Those financing companies which were financing for used two wheelers has reduced or stopped their services as there was a shift in law that the vehicles could not be ceased from the customer directly and should be only done by filing complaint in police station or through court order. This became backstab for the entire industry. Hence the current finance providers for the segment is charging high interest rate and they are mostly private local players who do not have their presence in other places.

This project aims to understand the factors that affect the financing in the pre-owned two wheeler market. For this purpose the market potential is analyzed, customers taste and preference in the pre-owned two wheeler market is assessed, dealer's role in the financing part of two wheeler is understood.

As there are only few players in the pre-owned two-wheeler market which is not having its presence

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completely, Financers can penetrate the Kerala market and capture the same easily as there is so much demand from the customer's side and there are no sufficient supplies for the same.

## II. RESEARCH OBJECTIVE

To understand the:

- Current market condition in the pre-owned two wheeler market.
- Customer profiling.
- Market potential availability.
- Area wise demand for specific make of vehicles.
- Customers taste and preference as per dealers from different locations.

## III. LITERATURE REVIEW

Akerlof (1978) suggested that the quality of the used automobiles traded in the market between the sellers and buyers are looked. The issue of "lemons" came into picture as both the buyer and the seller did not have the same information about the automobile. And the sellers were not transparent enough to the buyers which left the "lemons" behind. In case of a market where the dealings are done dishonestly, the good buyers might be driven out as the product is inappropriate for the price range, hence the business will not occur. In a business "trust" is major factor. The aspects of Gresham's law and Prisoners dilemma are pretty evident. The uncertainty in identifying the good from the bad is inherent in the business world.

Mundu, Trivedi and Kurade (2011) found that the factors that influence the purchase made by Pune women are the price, mileage, handling of the two wheeler. Especially the category of people below the income of Rs.40,000 p.a do not even look for company brand, colour and so on.

Devaki and Balakrishnan (2013) found that most of the current users prefer Hero only because of the price and mileage factor of the vehicle. The other aspects of the vehicle is not so attractive as per the study. As majority of the users of the two wheeler falls into the college going students, the company should look forward to bring models like pulsar, FZ, unicorn and so on to capture the market share in future.

Kathiravana, Panchanathama and Anushan (2010) describes that the consumer evaluates a product on the basis of fuel efficiency, price rate, brand image, maintenance cost, resale value, durability, style and design, power and pickup are the product attributes and perceived quality in competitive two wheeler market in India.

## Factors That Affect Finance in Pre-Owned Two-Wheeler Market

John and Pragadeeswaran (2013) concluded that the important factor that affect the small car buying preference are value consciousness, price and quality. 72% of the vehicles were bought on finance (EMI). The low brand loyalty and to switch to competitor brand that provide higher perceived value is high.

### IV. RESEARCH METHODOLOGY

For this study, the data collected is only primary data which was procured directly from the used two wheeler dealers of Ernakulam and Thrissur district of Kerala. Sampling technique used for the study is purposive sampling. The entire two districts of Kerala, Ernakulam and Thrissur have been covered completely. The results were inferred through percentage analysis using M S Excel and correlation analysis using SPSS.

### V. DISCUSSION

Figure 1 depicts the dealer's business size in the used two wheeler market. Out of the 80 dealers from Thrissur and Ernakulam, 10% that is 8 dealers belong to small size, 26% that is 21 dealers have business of small to medium size business, 35% that is 28 dealers are having medium size business, 15% that is 12 dealers have medium to large size of business, 9% that is 7 dealers belong to the business size of large and 5% that is 4 dealers have a business size of large to extra-large.

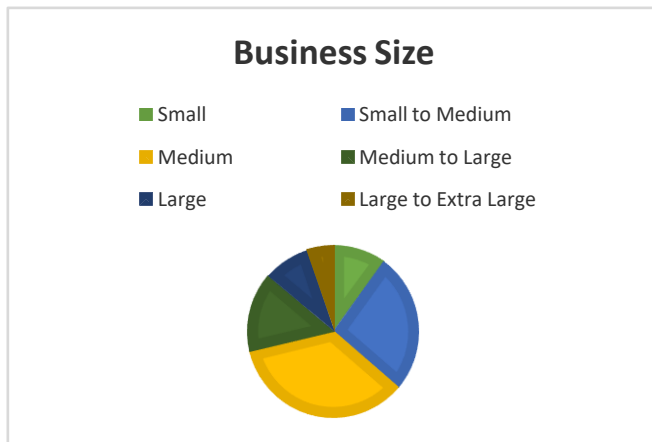


Fig. 1. Figure showing business size of dealers.

Figure 2 shows the finance availability to the dealers to provide the financial service to their customers. 55% that is 44 dealers does not have financial services available for their customers who come to purchase pre-owned two wheelers. 45% that is 36 dealers have the option of finance available for their customers to buy pre-owned two wheelers. The average sale of all dealers having finance for its customers come to 1438 units a month and average sales of all dealers not having finance for customers come down to 1411 units a month.

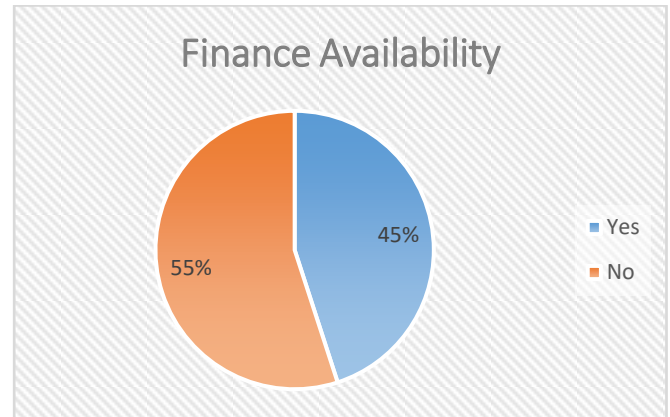


Fig. 2. Figure showing finance availability to the dealers for customers.

Figure 3 depicts the number of dealers who have finance sales and the percentage proportion of their cash and finance sale. It is made out from the graph that there are 47 dealers who provide finance sales of 0%. This means that all the 47 dealers out of 80 are only having cash sales and no finance sale. Then we can see 6 dealers are having their sales in proportion of 5% with finance and 95% in cash. Another set of 8 dealers have their sales combination in 10% finance and 90% in cash. A set of 5 dealers have their sales combination in 25% finance and 75% in cash. 4 dealers have a sales combination of 30% finance and 70% in cash. Two sets of 2 dealers each are having sales combination of 20% finance and 80% cash and 40% finance and 60% in cash respectively. There is a sales combination of 8% finance and 92% cash, 15% finance and 85% cash, 65% finance and 35% cash, 75% finance and 25% cash, 80% finance and 20% cash and 85% finance and 15% cash where each combination has one dealer.

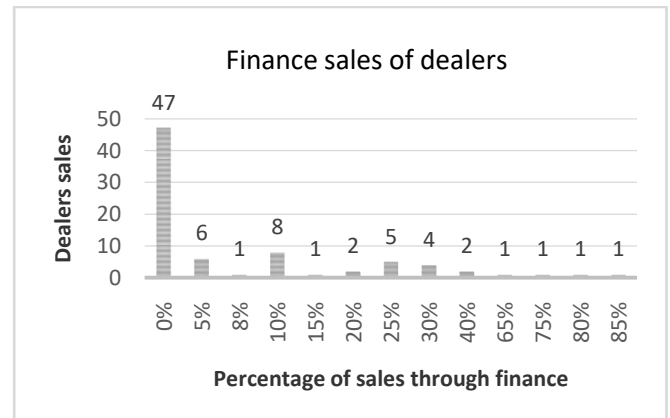


Fig. 3. Figure showing finance sales of dealers.

Figure 4 shows the correlation between the dealer's average sales per month and the number of years the dealer is doing business in the field of used two wheelers. The analysis shows 0.35 which is positive correlation between the average sales and number of years the dealers presence in the market. This means that, as the number of years in the business increases, the average sales of the dealer also increases. The current scenario in the market is that the used two wheeler market is down after the Kerala floods that happened in 2018, even then the analysis shows positive correlation.



➔ **Correlations**

[DataSet4]

**Descriptive Statistics**

	Mean	Std. Deviation	N
Average sales per month	35.61	18.858	80
Number of years in this field	12.88	5.879	80

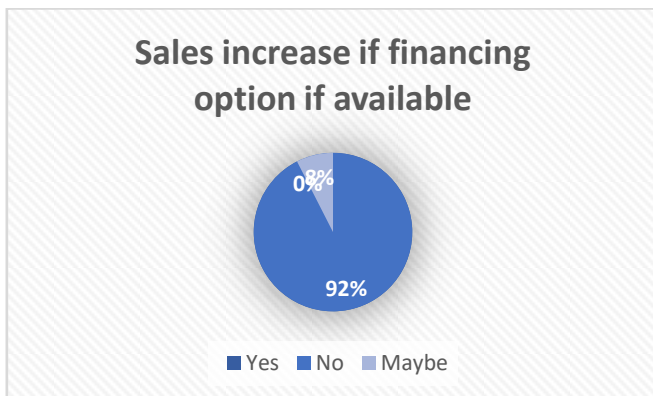
**Correlations**

		Average sales per month	Number of years in this field
Average sales per month	Pearson Correlation	1	.353**
	Sig. (2-tailed)		.001
	N	80	80
Number of years in this field	Pearson Correlation	.353**	1
	Sig. (2-tailed)	.001	
	N	80	80

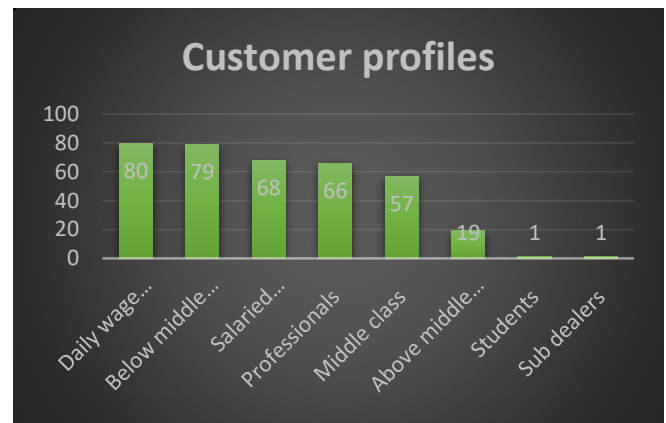
\*\* . Correlation is significant at the 0.01 level (2-tailed).

**Fig. 4.**Figure showing correlation analysis.

Figure 5 shows that 74 dealers strongly feel that their sales will increase if finance is available for their customers. 6 dealers feel that if finance is available for their customers maybe their sales will increase. And there are no dealers who feel that if finance is available for their customers their sales will not increase.



**Fig. 5.**Figure showing dealer’s perception that their sales will increase if finance option is available for their customers.



**Fig. 6.**Figure showing customer profiles.

Figure 6 shows the general profile of the customers who opt for pre-owned two wheelers from the dealers. Out of 80 dealer’s, every dealer have a customer category of daily wage workers. 79 of 80 dealers have a customer category of below middle class. 68 of 80 dealers have salaried employee category among their customers. 66 dealers have a category of professionals in their customers. 57 dealers have a category of middle class in their customers. 19 dealers have a category of above middle class in their set of customers. Only 1 dealer have a category of student in their set of customers and only 1 dealer have supplies towards sub-dealers.

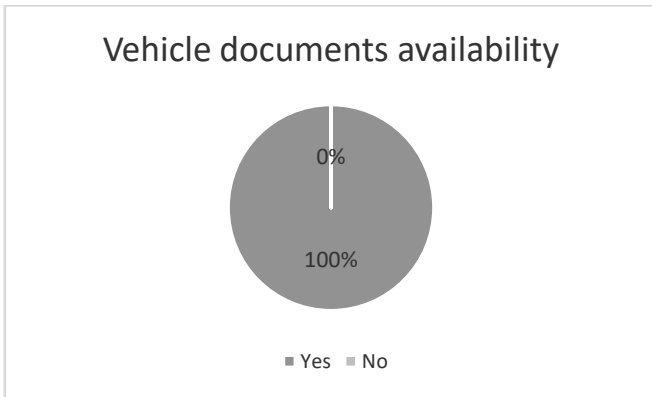


Fig. 7. Figure showing vehicle document availability.

Figure 7 shows the availability of the documents of the vehicles in which the dealers are dealing. In the entire market, there are no dealers who trade two wheelers without its documents. The credit for the same goes to the law mandated by the Motor Vehicles department of Kerala. Thus, the dealers will accommodate only those vehicles with documents so that the customer who comes to purchase the vehicle knows that the vehicle is on a valid sale from its previous owner's side.

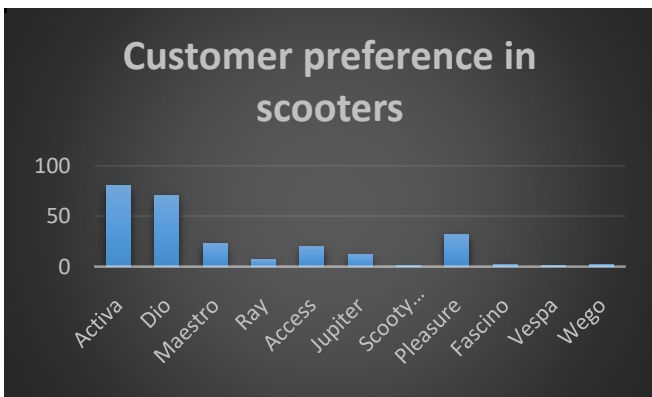


Fig. 8. Figure showing customer's preference in scooters.

As per the information collected from the dealers as depicted in figure 8, the most preferred scooters in used two wheeler market are Activa and Dio. Both these vehicles are from Honda. As the maintenance for Honda is moderate and services are easily available, customers prefer Activa and Dio almost everywhere.

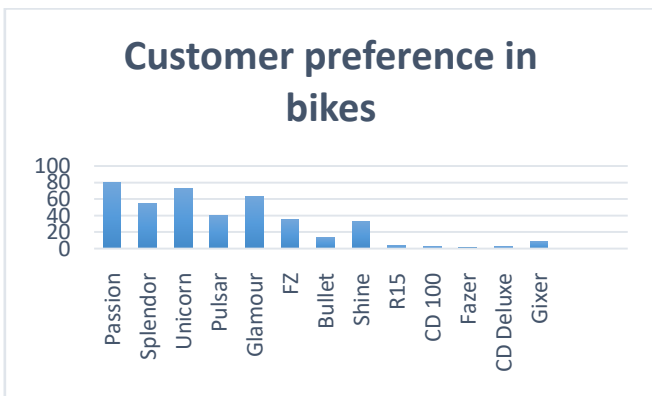


Fig. 9. Figure showing customer's preference in bikes.

Figure 9 shows that as per the information collected from the dealers, the most preferred bikes in used two wheeler market are Passion and Unicorn. Passion is from Hero Honda and Unicorn from Honda. As most of the customers belong to the category of daily wage workers, they prefer bikes with more mileage and less maintenance, hence they prefer Passion. Those customers who prefer Unicorn are professionals like sales representatives who have to travel long distances. Hence for the purpose of comfort ride backed with mileage, they prefer Unicorn.

VI. CONCLUSION

This paper focuses on the factors that affect finance in pre-owned two wheeler market. And these factors are dealer's interest to deal with financiers or not, profile of the customers, current finance availability for customers through dealers, availability of vehicle documents, model and make of the vehicle and its demand in the market.

As per the information from the dealers, every 8 of 10 customers enquires about finance availability. Currently there are only few private institutions that provide full-fledged financial services for pre-owned two wheelers. The current finance providers are sanctioning loan on quiet high interest rates. Another factor why currently the dealers are reluctant for a finance tie up with financiers are that the dealer has to become a party to the contract in between the financier and the customer. As the procedures and paper works of the financiers are lengthy, dealers lack interest to get into tie ups. That is the reason why even though there is finance availability for 45% of the dealers only few of the dealers are dealing with finance service to customers.

The current market condition at Thrissur and Ernakulam Districts of Kerala in the used two wheeler market shows a huge untapped bullish market which could be utilized by the financing companies.

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