2.1 Introduction:

For any research work, it is necessary to take the review of the literature pertaining to the research subject, because the review of the literature helps the researcher to determine the precise subject area and to arrange research work in proper way.

In present chapter researcher has made an attempt to present review of literature obtained from various published sources like books journals magazines newspapers internet websites M.Phil; and Ph.D. thesis etc; The selected literature review follows as under:

1. **Jagdish Khatav (2006)**, in his article “Positive Growth Indications” highlights the global forum in the car industry. According to him, there are four major growth drivers: (i) economic growth, (ii) falling interest rates and easy availability of finance, (iii) development of road infrastructure, etc (iv) reduction in taxes. He states that all these growth drivers are present in India too. The growth rate of the Indian economy has steadied, more or less, at 7% per annum and is expected to be maintained for a medium term. Interest rates have been lower than they were before. The finance has reached deeper to the nooks and corners, particularly in the countryside. The successive Governments have focused on the development of road infrastructure (Golden Quadrangle). Besides, the excise and custom duties have shown a downward trend.

The author classifies car buyers into three broad categories: (i) the first time buyers who normally buy entry level cars, (ii) upgrades, who replace their existing cars for new ones, and (iii) those who buy additional cars for their family members. According to him, nearly 25 million Indians have bought 2-wheelers in the five years. They are the potential first time car buyers in the next few years. Faster upgradation of auto vehicles and the expansion of
finance with declined interest rates simultaneously have helped in the booming of business.

As far as exports of vehicles are concerned, in the recent past years, some car companies based in India have spread their wings and started to tap the foreign market, particularly in Asian, Latin American and even African countries.¹

2. **N. Janaradhan Rao (2005)**, in his articles entitled, “Indian Financial Markets”, has thrown light on the new growth drivers of retail banking. He has accounted for the loan portfolio of the banking companies consisting industrial loans, retail loans and other purpose loans. In the financial year 2003, the share of retail loans was 51% of the total loan disbursement, whereas the shares of industrial loan and other loans were 13.6% and 24.4%, respectively. The industrial and retail loan segments amounted almost to 61% of the total bank loans. The retail loans include a wide range of financial products, such as deposit products, residential mortgage loans, consumer durable loans, credit cards, **auto finance**, personal loans, loans against equity shares, loans for IPOs (Initial Public Offerings), debit cards, bill payment, mutual fund investment advisory services, etc. The size of the retail market is Rs.50,000 crores (including credit cards spending of Rs.10,000 crores). The markets for the rest of the sectors are while goods Rs.4,000 crores (10% CAGR), auto loans Rs.75,000 crores (5% CAGR), home loans Rs.25,000 crores (30% CAGR), personal loans Rs.4,000 crores (10-15% CAGR). The author further states that auto finance is on the rise, because of the low interest rates, poor urban transport in many areas and the availability of finance for secondhand cars. In fact, on account of liberal financing by banks, the production of passenger cars, motorbike and scooters have a regained positive growth.²

3. **A. Ninan (2006)**, in his article “Keeping Pace with Demand”, observes that the retail banking in India has witnessed a fast growth due to the introduction of financial reforms. According to him, it has become broad-based towards auto loans, housing loans and personal loans. He states that NPA in
respect of retail loan segment is currently at a low level of just 2%. In 2004-05, the strong growth in retail advances increased by 41.2% (Rs.77.947 crore) against the growth of 27.9% in overall loans and advances of scheduled commercial banks. He further points out that though there is such a heavy growth seen in retail banking, the performance of these banks has been the worst in comparison to that of foreign banks. The scheduled commercial banks have yielded the loans efficiency of productivity of personal loans, whereas the foreign banks have had their turnover per employee about five times more. In case of liquidity, the credit: deposit ratio of banks has gone up from a low 50% till years ago to about 70%. Given that about 30% of banking funds are pre-empted as reserve requirements, the banking system is almost on the limit of its credit generation ability. Moreover, high government borrowing will continue to the crediting out effect. While liquidity continues to be good, the system will have to ensure that the banking system is not lacking in funds for the medium term. As there has been an increasing globalization marking on Indian corporate and global financial innovations have been affecting the economy, regulation needs to be recognized and kept pace with. This means that guidelines are to be prepared to enable banks to vitalize some of these globally accepted, sophisticated instruments.³

4. P.S.Balsubramainyam (2006), in his article “Awaiting Due Recognition”, emphasizes on the problems of non-banking finance companies (NBFCs). He opines that though at present, there are a few non-banking finance companies operating in India, they are functioning effectively and the industry also seems to have benefited greatly. Nevertheless, these companies are not keen on accepting deposits from the public and most of them look for alternative sources of funding. He states that NBFCS have been facing numerous problems, such as lack of funds, interest tax, service tax uncertainties, recovery disparity, etc., to quote some of the significant ones. In addition to these, contradictory views are taken by the Department of Company Affairs (DCA), Reserve Bank of India (RBI) and the Central Board of Direct
Taxes (CBDT), while framing regulations for NBFCs. This calls for a proper coordination among these regulations before enacting lows. He also points out that in a populous country like India, there is a need for micro-financing and this can be fulfilled only through NBFCs which have provided efficient services of the customers for many years and also have personal contracts with them.  

5. **Aditya Puri** (2005), in his article “A Booming Segment”, quotes that leading institutions and banks have evolved their offerings to make the products more attractive for the customers and process from application to disbursement more streamlined. He expresses that this is the fastest growing segment in financial sector. The leading institutions are more shifted from unorganized to organized lending. The organized leading means greater transparency, better documentation, easier and speedier application and disbursement process, attractive offers and interest rates. This has led to an increased prosperity to borrow. He further states that customer’s mindsets have changed. Though the Indians traditionally hated debts until recently, now-a-days, more and more people are willing to borrow loans to fulfill their heart’s desires for 2-wheeleers or 4-wheelers. This has caused a boom in this segment. The younger demographic customers between the age group of 25 to 40 are exposed to a much better life style. The growth of middle class population as estimated around 150-250 million is leaping at the rate of 10-12% per annum, which has been turning towards enhancement of life style and in the result, has helped the boom of this segment. The author further discusses about the percentage of finance to vehicles. In the year 2004, 70% of the total cars sold in the country were through the channels of finance companies. According to him, the car finance market has increased at a CAGR of 20% over the last four years to over 25,000 crores in 2003-04. The percentage in respect of 2-wheelers was 40-45% in the year 2004 through finance companies. The 2-whellers sales grew at a CAGR of over 30% in the last four years, in the year 2003-04, nearly 5 million 2-wheelers were sold.
6. **V.Sumantaran (2005)** in his article entitled “Player Plan Expansion,” stated that, expounds the major role played by the automobile industry in the Indian economy. He points out that the automobile is one of the largest industrial sectors with a spectacular turnover, which amounts roughly to 5% of the GDP. It also plays a significant role in creating employment. It employs 2 million persons directly and 10 million indirectly. It is vital in respect of national policy too. It adds to the indirect taxes by 19%. Thus, in recent years, the automobile industry has assumed a special position on the industrial map of India. He has also focused on the Indian market scenario. The production of 2-whelllers has reached about six million and that of passenger cars and utility vehicles about one million in the year 2003-04. It ranks second in the world in 2-wheeler production of and 13th in the production of passenger cars. The 2-wheeler industry has grown at more than 10% CAGR while the passenger car market has been growing at a rapid pace. The year 2004 has witnessed the sale of over 6.5 lakh cars.

7. **Venu Srinivasan (2004)**, in his article entitled ‘Changing Market Dynamics’ feels that ample changes have taken place in the automobile industry in India. The market has become dynamic, the national brands like Bajaj and TVS are likely to go global setting up marketing and manufacturing arrangements in the other populous markets of Asia. The sale of 2-wheelers in 2004 was 5 million units in India, the second largest country in the world after China, where it was 12.5 million units. He has further stated that easy finance, favorable factors, shifting consumer expectations, opportunities on export front, advancement in 2-wheeler engines from, 2-stroke to four are the responsible factors in changing the market dynamics.

8. **Pankaj Deval (2007)** in his article, “Auto Majors Cut Production,” pointed out that auto companies, both of 3-wheelers and 4-wheelers have been cutting their production. Almost all the major companies from Tata Motors, Bajaj, and Hyundai to Toyota have cut their productions in May 2007 as demand shrank due to a variety of factors, led by rising interest that pushed up
the cost of production. According to him, it is a worrying trend and things are likely to worsen in the coming months. The demand has hit even this critical segment due to the rising interest rates.  

9. **L.M.Bhole (2004)**, in his book “Financial Institutions and Markets,” defines it as “A system under which term loans for purchases of goods and services are advanced to be fractionally liquidated through a contractual obligation.” The goods whose purchased are thus financed may be consumer goods or produces or they may simply be services. Normally, two terms-hire purchase credit and instrument credit-are used for the same transactions. However, these two terms are technically different. In case of hire purchase credit, the ownership of the goods in question is not transferred to the buyer fill he clears all dues, while in respect of installment credit, once the loan contract is signed, the ownership is immediately transferred to the buyer. We can use these two terms interchangeably too. Another term used in this context is consumer credit. It is concept with a limited scope in compression with the other two. Strictly speaking, it covers credit for financing sales and purchases of consumer goods and services only. Hire purchase credit may be consumer credit or commercial credit. Further, he mentions that here are various financial institutions engaged in hire purchase credit. When the seller provides such credit, his sources of funds may be his own capital or borrowings from certain financial institutions. Different types of finance companies have now-a-days entered the business of hire-purchases finance. In addition to financing the sellers, these institutions may directly finance the buyers too. This may be done in two ways: (1) cash installment credit, under which cash is made directly available to the buyer who repays it in the form of installment over a given period; (ii) commodity installment credit, under which the buyer is allowed to purchase goods of his choice and the financial institution opens an accounts in his name and collects cash over a period of time. Apparently, the hire purchase credit is available in India for a wide range of products and services, products like automobiles, sewing machines, refrigerators, television
sets, etc. and services like educational fees and medical fees. Most of the automobile manufacturers have floated their own subsidiaries or associate concerns to look after the financing of sales of their vehicles on a hire purchases basis.

He has discussed the terms of hire purchased credit, which vary from product to product. Down payment varies between 10% to 25% and sometimes may even be up to 40%. Some companies these days readily provide 75% of the invoice value on credit in respect of acquisition of car. The period of credit is usually 12, 18, 24, 30 or 42 months as convenient to the client. The credit is required to be repaid in monthly or quarterly installments. Thus, hire purchase is a medium term credit. A penal rate of interest is often charged on overdue defaulted installment. As in other countries, hire purchases financiers charge a flat rate of interest, i.e. on the entire amount of advance and not on the reducing balance. The volume of hire-purchase credit and the facilities to advance it have increased significantly in the recent past, but there is still a vast scope for growth in hire purchase credit in India. The only problem in this context may arise about the penal rate of interest, flat rates of interest on the entire amount of advances.\textsuperscript{9}

10. \textbf{Religare (2008)} “Monthly commentary budget impact on Indian economic condition” march 2008, observes that under the impact of Budget 2008 reduction in excise duty on small cars pushed up the price of Maruti cars by 3.8%. However, Tata Motors saw its share price dip by 1.47, despite positive measures taken for the auto sector. 2-wheeler companies also received a budget boost in the form of lower excise duty. Bajaj Auto and Hero Honda both moved up by almost 3%. According to this writer, the reduction in excise duty is not only a positive surprise but also anti-inflationary. Due to the lower excise duty, the total market size (including exports) of automobiles is expected to touch Rs.1, 29,000 crores in 2007-08 a growth of 4.3% over that of 2006-07. Tighter credit disbursement and increased interest rates have resulted in lower sales of 2-wheelers. But the cut in excise duties will be beneficial to automobile
manufacturers, which, in turn, shall be passed on to the customers, resulting in increased demand. Besides, the increased exemption on limit for income tax will lead to higher disposable income of salaried class, which may turn to 2-whelers and cars.\(^\text{10}\)

11. **Murad Ali Baig (1996)** in his article “Beneficial Foreign Entry” feels that since 1995-96, the Indian automobile Industry has found a rapid growth, which attracted the attention of international manufacturers and projects with investments exceeding over Rs.10,000 corers. He names the companies that entered India for the business, such as S.Dachoo of Korea, General Motors and Ford of the U.S., Mercedes Benz of Germany, Peugeot of France, Uno form Italy, BMW, Hyundai, Honda, Mitsubishi, Skoda, Volkswagen and other. He is of the view that the growth of the industry has stimulated the development of many support services in accessories and supplies. The real demand for the cares has been stimulated by advertising, domestic and international business growth and urbanization. The increasing availability of consumer credit which enables people to mortgage part of the future income also has been an important factor. The increasing congestion in Indian cities is believed is to hamper the car market. However, the writer is of the opinion that the potential demand is undoubtedly growing which is estimated to be 35 million households having monthly income exceeding Rs.1.20 lakhs. At present, there are 2.5 million cars in India. This number is far less if compared to small countries like South Korea, where the number of cars is 1.15 million, in Thailand, it is 4.78 lakhs, Malaysia 2.02 lakhs, in Taiwan, it is 2.78 lakh (in 1995). Further, he discusses the improper road conditions and the congestion problems, yet he expresses that the entry of the foreign companies will prove beneficial to the Indian automobile industry.\(^\text{11}\)

12. The **11\textsuperscript{th} Five Year Plan (2007-2012)**, Vol.III, published by the Planning Commission of India, has made the following observations. The manufacturing industry in India has been growing from strength to strength after the economic reforms of 1991-92. The automobile industry has grown
spectacularly at the rate of 17% over the recent few years, with an investment of Rs.50,000 crores in 2005-06, attaining a turnover of Rs.1,65,000 crores. In 2005-06, the passenger car segment crossed the one million mark.

The industry has direct and indirect employment is 2 lakhs and 2.8 lakhs, respectively, which can be hoped to increase with added manufacturing and investment. The production of various categories of automobiles in the Tenth Five Year Plan grant at a CAGR of 16% crossing, the 10 million mark in 2006-07.

In this year, about 2 lakhs passenger cars and 6 lakhs 2-wheelers were exported. In addition to this, the auto components exports also grew during the period of the Tenth Plan. The annual exports crossed Rs. 11,000 crores. A quantum forward leap in the quality of Indian auto components has been brought about a major change in the customer-base in the global markets. The Eleventh Five Year Plan even projects the growth in production and exports of vehicles and components. According to this, the passenger cars production will grow from 1,23,800 unit in 2006-07 to 1,80,500 in 2010.

While the exports will grow from 19,200 (2006-07) to 46,200 (2001-12), 2-wheeler productions will increase from 8,44,400 (2006-07) to 18,93,400 (2011-12). The export will increase from 61,900 (2006-07) to 1,63,400 (2001-12). The Plan discusses some of the problems too, such as poor infrastructure, lower logistic cost, lack of space for parking and repair of vehicles at the ports, inadequate supply of quality power, normalization of emission norms, innovation and up gradation, etc.\(^\text{12}\)

13. **S.Saraswath (2008)** The ICFAI University Journal of Consumer Behaviour, has brought out some of the interesting findings with reference to 2-wheeler automobile industry and the customer satisfaction on post-sales service. According to the survey undertaken, the consumer behavior is influenced strongly by cultural, social, personal and psychological factors. It is an indispensable condition upon which all market planning and marketing strategy would be based. The study involved the process of identifying:
(a) What the consumer purchases?  (b) Why?  (c) Where, (d) When and how. The study has presented the information in regard to the structure and development of 2-wheeler industry and even the data in respect of commercial vehicles, passenger vehicles, 2-and 3-wheelers market shares, by which an attempt has been made to indicate that there is more demand for 2-wheelers. The production trend of 2-wheelers (all the three types) clearly shows that since 1993-94 to 2005-6, a robust growth has taken place. The domestic sales trend also shows a continuous growth. The exports of 2-wheelers have crossed 3,00,000 mark for the first time reaching around 3,66,407. The growth rate is 38% during 2004-05. The major players have been Bajaj, Hero Honda and TVS.  

14.  **N.B.Shimpi (1995),** in his article, “Reaching for New Highs” discusses the prospects of small car segments. According to him, the growth will be further in this segment as Indians move from 2-wheelers to 4-wheelers, but the manufacturers are required to produce the cars on a massive scale, so that they can sell them at moderate prices. According to him, the Indian consumer is mature and highly demanding. But this is not the only reason why big international conglomerates are coming to India. As the sales started dropping in the Western hemisphere, it started an aggressive search for new developing markets by the global car giants. India seems to have attractive features, like a big potential with a growing middle class and a fairly large geographical area. He further pointed out that India still constitutes a negligible 0.17% of the total world auto production, yet the growth rate is amazingly high, i.e.29% in 1994-95. In place of old models, Indian companies are collaborating with foreign companies to introduce new models in Indian market. Porsche, Volvo, Samsung, Ranawat and Proton G.M., Daimler-Benz and other have entered India. Along with new cars, Indian and foreign made, the market for used cars also has been booming. It is estimated that by the turn of the decade, used cars will account for over 80% of all car sales in India. As far as 2-wheeler market is concerned, it has become hot. Manufacturers are trying to woo the
customers by offering better deals and better products, new technology, sporty looks, fuel economy etc. They are more and more exposed to the international market.\textsuperscript{14}

15. \textbf{H.S.Lheem (2008),} in his article ‘Changing Face of the Indian Auto Market’, writes that India has been given a new direction in manufacturing by auto manufacturers. India, well-known for its prowess in software and information technology, has been given a new direction in this field too. This technical knowledge and the availability of skilled labour are the critical factors in setting up manufacturing plants. So is the ability of a company to constantly innovate in every area of operation. Today, there is a growing demand for cars with higher quality performance, energy-efficiency and environment safety factors. Radical as these changes have been, the coming years will see more and more innovations, more radical designs, etc. In respect to employment generation, the writer is of the opinion that the automobile sector has a great potential in this field. Today, the number of employees busy in this industry is about 13 million, which could well double in a decade. In turn, this will help India reach its zenith in terms of development. Though India has technically skilled manpower, there is an urgent need for up-skilling to serve the future requirement of the industry. For this purpose, he suggests that India also should establish an institution like US-based National Institute for Automotive Service Excellence. He opines that the small cars market in India is still robust, particularly, the medium size cars like 1-10. As the Indian road network grows and improves, cars will become the people’s choice in the mode of transport. The next ten years could well see the number increase exponentially form the current load.\textsuperscript{15}

16. \textbf{Karl Slym (2008),} in his article, ‘Promise of Huge Home Market’ feels that the automobile industry has an enormous opportunity for crediting new wealthy by delivering value to the world and delivering value to the customers. In his opinion, though Indian auto industry remains in a rapid growth phase, it also faces challenges in terms of adequate infrastructure, appropriate tariff
policy, a fixed direction and road map for emission standards, harmonization of safety standards and flexible labour reforms. However, he is aware of the fact that India is among the few countries that have shown such a rapid growth. But if the challenges mentioned above are taken successfully, there is a great promise of huge home market in future. The industry already has scripted a new, interpretational story to learn form and build on.  

17. **Subbu. D.Subramanian (2008),** in his article “India can be a Big Player -Third Generation Automobile Industry” as automobiles are moving form a mechanical to an electronic platform with more intelligence and communicative features powered by IT. The world is now in the era of third generation automobiles ‘The Software Cars’. With technology and innovation, India is unequally placed to exploit this opportunity. The third generation cars will be high-tech cars and green cars, to find solutions to the escalating fuel prices and environmental problems. From hybrids to hydrogen cells, the world’s leading auto markets are working furiously to increase the production of green cars. BMW, GM, Honda, and Toyota have already produced such green cars. Some of the features of this car-IGPS, GIS and fudgy logic control using (1) microwave radar, (2) wireless networking, (3) use of digital signal processing, (4) sensor network-based electronic stability control, (5) embedded sense system for road conditions, (6) biometric identification application, (8) auto valet, (9) high impact system, etc. Technology will play a key role in the production, innovation and as the technological supremacy of Indian engineers is acknowledged and appreciated worldwide, India has the opportunity to become a leader to shape the third generation automobiles for the world.  

18. **Arun Firodia (2008),** in his article “Modern Upbeat Market” writes India has every chance of becoming the world’s manufacturing hub, in his opinion, the 2-wheeler industry has come of age. It sold 7.6 million vehicle in 2005-06 and 8.4 million in 2006-07 recording a growth of 11%. The 2-wheeler population too has gone up to over 60 million. But this reflects a very low penetration level. There is a big potential to be tapped. India has 500 million
middle class populations waiting to buy 2-wheelers. The industry is in an advanced stage of double digit growth which is expected to come down to 8-9% by 2011-12. The market is vibrant, modern and upbeat. New technology, materials, style features and colors are coming. The force is on ride-quality, maneuverability and comfort. It is been a status symbol and a fashion statement. It has also been a common means vehicle. Due to the tough competition with the advent of international companies, the quality standards are becoming world-class. Currently, the motorcycle segment dominates the market with an 85% share. With the opening up of rural markets, improved road connectivity and higher disposable incomes, one can expect excellent prospects for 2-wheelers industry. He further points out that the electric vehicles also have made their entry in the Indian market. But the numbers are small. These were introduced in 2006-07 and sales were 22,000 electrical vehicles. However, there is a greater scope for these vehicles too. If the limitations of battery specifications, range and speed are taken care of, because oil prices are rising high and oil is becoming rare.  

19. **Bhuvana Ramlingam (1999)**, in his article ‘Profile of Indian Market’ is of the opinion that the availability of newer car models, competitive pricing and world class servicing are expected to attract more buyers. He discusses some of the needs for further growth of the Industry. According to him, recently lot awareness has been generated about pollution norms in advanced countries and this has caught the attention of urban authorities in India. This has compelled Indian manufacturers to upgrade their technology. He also suggests that there is a need for pragmatic approach towards the removal of quantitative restrictions on imports of automobiles. The Government must prevent indiscriminate imports of old and polluting technology.  

20. **www.SurfIndia.com (2009)**, article on “Car Finance,” research says that 75% of total cars purchased in the last decade were financed/purchased through auto loans. It was due to multinational companies and other private
sector banks. They aggressively marketed their product with innovative services.

A wide range of flexible and customized financing options for the purchases of both new and second hand cars are available throughout the country.

**Features of Car Finance**

(i) Banks pay up to 90% of the value of the new vehicles.
(ii) In case of used vehicles, they pay up to 85% of the value of the car.
(iii) Public sector banks, generally offer lower rate of interest than the non-banking finance companies.
(iv) Usually the interest is calculated on a monthly reducing balance.
(v) The banks offer repayment tenure of 12 to 60 months.
(vi) Few of them even offer 7 years repayment period.
(vii) A salaried person can borrow up to 3 times of his annual salary.
(viii) A self-employed individual can borrow up to 6 times of his annual income.

Ashok Layland Finance, Bajaj Auto Finance, Kotak Mahindra Primus, Sundaram Finance, KIDFC, Tata Motor finance are some of the car finance companies.

**Auto Finance**

Buoyant and Robust economy and huge disposable Income of youth have made way to easy auto finance by banks and non-banking finance companies. The financial agencies together have created purchasing power for customers. Getting auto loans has become quiet easy.

**Banks that Finance**

ICICI, Bank of Baroda, HDFC, State Bank of India, Bank of India Andhra Bank, Union Bank, Standard Chartered, United Bank etc.

21 **Sindhu Bhattacharya (2007)**, New Delhi, writes that due to rising interest rates, higher base means growth across the industry may average just about 12% this fiscal. The passenger car segment averaged an impressive 26%
growth over the last 12 months, helped mainly by excise duty reduction on small cars. But this growth would be slowing down over the next few month. The passenger car sales are expected to log between 12-14%, 2-wheelers also expected to slow down their sales in 2007-08. It is expected between 12-14%.\textsuperscript{21}

22. \textit{Sakal News Paper (2008)}, the New Year has proved disappointing for automobile industry in India. In the first month of the year, the sales of automobiles reduced by 7.67\%. According to the Society of Indian Automobile Manufacturers (SIAM) report, the sales of 2-wheelers were reduced by 10.96\% over the last year, while that of 4-wheelers has increased by 8.99\%. It means that though the 2-wheelers sales reduced spectacularly, the 4-wheeler sales increased.\textsuperscript{22}

23. \textit{Nandani Gupta (2007)}, used car market growing at 22\%. Analysis says that the used car market clocked around 1 million units, almost the same volumes as new car sales in 2007. The used-exchange penetration has gone up in the last two years form 10-11\% of total sales to 15\%.\textsuperscript{23}

24. \textit{Sindhu Bhattacharya (2007)}, rising rates take the joy out of car market ride: reports that only GM reported higher sales in April, helped by Spark. Maruti too reported 16.8\% rise in April, but it was lower than the overall 20\%. Analysts said that with interest rates for car loans showing no signs of softening in the near future, consumers were either postponing their purchase or going for a larger cash down payment ratio. In either case, sales have been hit in a big way.\textsuperscript{24}

25. \textit{Mahalaxmi Hariharan (2007)}, Bankers fear slump in loan disbursal as rates increase: reports According to her, bankers foresaw a slowdown in loan disbursal for the near-term, largely on account of higher interest rates following the unexpected links in the REPO rate and CRR. These links compelled the banks and financing companies to raise their interest rates. The bankers
expected, therefore, a 3-4% drop in loan disbursement. As a result, the demand for auto loans was expected slide down.\textsuperscript{25}

26. **Sourav Sen, (2007)** in his report ‘Small car in this margin lane’, expressed the fear that rising competition prevented manufacturing firms passing on higher input costs. Not only the 4-wheeler manufacturers, but also the 2-wheeler producers. Feeling the heat, established players like Maruti and Hyundai had introduced new vehicle of their existing models. As far as pricing went, firms were seen facing intense pressure as they bid to auto competition and lure buyers. According to SIAM, the domestic passenger car sales in March grew 3% in year as against 25% of the concluding year. However, the analysts expected that the domestic car makers like Maruti, Hyundai and Tata Motors were likely to continue dominating the small car segment in near term.\textsuperscript{26}

27. **Sindhu Bhattacharya (2007),** the good news reported in ‘Car Sales weather rising rates in rides of March’, according to which, the domestic passenger car industry appeared in the midst of the golden era with most manufacturers reporting robust growth during the last 12 months, rising interest rates, notwithstanding. Maruti saw a 20% growth, Tata too 20% growth. However, this same reporter wrote ‘Two Wheelers Struck in Potholes’ in the same newspaper. According to her, the segment was to witness some slowdown over the next two year. Most 2-wheeler marketers were expanding capacity without an overall demand keeping pace. Merryll has said industry capacity would rise by about 20% in 2007-08. But total demand was expected to grow by only 14.5% that fiscal and 13.53% by the next.\textsuperscript{27}

28. **Praveena Sharma (2007),** Toyota Corolla picks up high speed in March, as reported, it grew 423\%, in February 2007, Honda Civic Sales rose by 123\% and Skoda Octavia rose 57\%.\textsuperscript{28}
29. **www.i loveIndia.com (2009)**, An article on states that a plethora of auto opportunities is available in India these days. It is possible to buy a dream car within a few days. No need to save money for making complete down payment at the time of buying. The article also explains that the loan is available for new cars as well as for used cars. In case of a new car, up to 90% of cost of the car is financed while the percentage gets reduced to 80% in case of old car. Usually the tenure of an auto loan varies from 1 to 5 years. However, there are some banks with schemes that offer loans for up to 7 years as well.29

30. **www.businessmapsof india.com (2005)**, an article on states that in April 2005, Tata Finance merged with Tata Motors Limited, with the aim of strengthening its automobile financing business. To offer quality auto industry solutions, Tata Finance has also leveraged its expertise with the Bureau of Hire Purchase and credits and together finances 17-18% of the vehicle sales of the company striving towards meeting the global standards. The financial company had earned turnover of Rs.305 crore in the financial year 2003-04. The Tata Finance Limited has made a profound found impact in automotive financing sector and is looking forward to accelerate its endeavours towards global benchmarks.30

31. **www.businessmapsof india.com (2010)**, “Top auto finance companies in India”. This article explains that there are 35 financiers in India that offer auto financing solutions to the intended car buyers. The Indian automobile market has got so much of potential and hence, a number of auto finance companies have come up to tap the booming market.

    During the 2000’s, the auto finance in India was dominated by private banks when City Bank was the market leader, but its market share dropped from 27% during 1990’s to less than 8% during early 2000. ICICI Bank became the new leader with almost 29.2% market share during 2003-04. The journey continued till 2008 when HDFC bank took the lead. However, the current trend shows that the public sector banks like State Bank of India, Bank of Baroda, Bank of India, Canara Bank, Syndicate Bank and Union Bank, etc.
are leaving behind their private sector counterpart in the Rs.22,000 crore passenger car and 2-wheeler loan marker. The reason behind this is the fact that private banks have been compelled to reduce their exposure to the sector owing to increased diligences.

Further, the article discusses the top leading auto finance companies in India. They are State Bank of India, ICICI, HDFC Bank, Bajaj Auto Finance Limited, City Bank, Bank of Baroda, Punjab National Bank, Kotak Mahindra Prime Limited, Sundaram Auto Finance, United Bank of India, Canara Bank, Tata Finance, etc. As such, there are 12 auto finance companies which are aggressively marketing their auto loan products in India in order to grab the share of auto finance.  

32. **11th Five Year Plan (2007 to 2012)**, according to Five Year Plan, after the economic reforms of 1991-92, it is the automotive sector that has grown at a spectacular rate of 17% over the last five year, with an investment of Rs.50,000 crore in 2005-06, attaining a turnover of Rs.1,65,000 crore. In 2005-06, the passenger car segment crossed the one million mark. It also observed that, the direct employment in the industry in 2 lakh in vehicle manufacturing and 2.8 lakh in component companies. The production of various categories of automobiles in the Tenth Five Year Plan period grew at a compound annual growth rate (CAGR) of 16% crossing the 10 million mark in 2006-07.  

33. **www.i loveIndia.com (2009)**, in the article “Automobile Loans”, the types of automobile loans has been discussed. These days, obtaining an automobile loan has become quite easy. Organized finance companies as well as institutional auto finance have come of age and companies are aggressively marketing auto loan schemes by offering innovative and tempting offers to the customers. The article states some of the popular loan schemes such as Margin Money Scheme, Advance Equated Monthly Installment Scheme, Security Deposit Scheme, Hire Purchase Scheme and Lease Financing Scheme. As such, there are five schemes available in the automobile finance market.
34. **www.SurfIndia.com(2009)**, an article emphasizes on 2-wheeler finance. According to it, 2-wheelers with increasing demand in semi-urban and rural areas too. The organized market of 2-wheeler in India is estimated to be Rs.6000-7000 crore. So there are huge spaces for two wheeler finance companies. Previously, there was a limited awareness about availability, but now the demand for those areas are picking up. Today, there are so many 2-wheeler finance companies in India. These companies are either banks like HDFC, ICICI, Bank of Baroda and Centurion, Bank of Punjab or private companies from non-banking sectors. 

35. **www.SurfIndia.com(2009)**, this article also focuses on the features of 2-wheeler finance in India. According to it, 2-wheeler finance in India is easily available with little documentation. The rates of interest are reasonable in the Indian market. Hence, the masses can easily get a bike financed. The following are the major features of 2-wheeler finance in India:

- Up to 95% of the cost of the vehicle is financed
- Flexible repayment options ranging from 12 to 48 months.
- The repayment is calculated on monthly reducing rates.
- Repayment is made through postdated cheques with easy EMIs.

The article further discusses the required documents for 2-wheeler finance like application form, passport-size photographs, and proof of income for last two years, proof of residence, and proof of identity.

36. **www.surfindia.com (2009)**, the article on “Auto Finance Companies” has given the information of auto finance companies. This article opines that auto finance companies are aggressively marketing their products by giving innovative offers to the customers. The growing auto market of India has opened doors for a number of auto finance companies to allow hassle-free auto finance. In India, leading banks and non-banking finance companies (NBFCs) offer auto finance. Today multi-national companies (MNCs) have also entered the finance market, parallel to other auto loan companies to capture their share.
The article also states that the market is very competitive and these finance institutions have come out with innovation offers for customers. The following are the names of leading banks and other institutions that provide finance: ICICI Bank, Andhra Bank, Bank of Baroda, Union Bank of India, HDFC Bank, Standard Chartered, State Bank of India, United Bank of India, Bank of India.\textsuperscript{36}

37. \textbf{www.surfindia.com (2009)}, the article on Auto Finance” has stated that auto finance is availed by 75% of the total vehicles purchased in the last decade. All banks and financial institutions are aggressively marketing their products with innovative services, offerings and incentives. The article also explains that a wide range of flexible and customized financing options for the purchase of both new and second-hand cars are available throughout the country. Further, this article has given the various features of car available throughout the country. Further, this article has given the various features of car finance listed as follows: (1) Banks pay up to 90% of the cost of new vehicle, (2) In case of used vehicles, banks finance up to 85% of the value of the car. (3) Generally, public sector banks offer lower rates of interest than the non-banking finance companies, (4) Usually the interest is calculated on a monthly reducing balance, (5) The banks offer repayment tenure of 12 to 60 months, (6) Few institutions even offer 7 years repayment period, (7) A salaried person can borrow up to 3 times the annual salary, (8) A self-employed individual can borrow up to 6 times of the annual income.

The article also states that the income of the spouse can be clubbed to increase the loan amount, the terms and conditions for prepayment of the amount need to be clarified before agreement, and try to consider taking loan where there is no penalty of pre-payment.\textsuperscript{37}

38. \textbf{www.surfindia.com (2009)}, according to the article “Auto Finance”, buoyant and robust economy and huge disposable income of youth have made way for easy auto finance by banks and non-banking finance companies. The financial agencies together have created purchasing power for customers. Now
a days, getting auto loans has become quite easy. The article further discusses the features of auto finance such as up to 90% finance. The finance period is between 1 to 5 years, the interest is calculated on the basis of compound interest. Equated Monthly Installments (EMIs) is worked out for repayment. Early settlement of the full amount charges a penalty. This article also highlights the different documents required with loan application form.\(^3^8\)

39. **Shyamji Mehrotra**, (2007), in his book “Co-operative Banking Operations” states that car loans and 2-wheeler loans is one segment that has spurred growth in retail loans. Nearly 75% of the six lakh cars manufactured in India are financed by banks. Car loan market was expected to reach Rs.25, 000 crore by end-March, 2005. Apart from falling interest rates, growth in this segment has been spurred by manufacturers through alliances with banks or NBFCs. He further discusses that thriving second hand car market is also full of opportunities. Young entrants (age 20-30 years) drive the demand here. Loan penetration in the second hand car is low but growing. Car ownership is still an upper middle-class phenomenon. 2-wheeler owners are a good target segment for cross sales. A car loan customer is at much better risk than an unsecured personal loan customer of a credit card company.\(^3^9\)

40. **Laldinliana** (2012), in his article entitled “Consumer Behaviour Towards Two wheelers and Four wheelers, A Study on Rural and Urban,” expressed that consumer behavior towards two wheelers and four wheelers is influenced by the factors like price appearance, promotion, word of mouth, after sales service and the durability. Similarly the behavior is also influenced by their income level and financial services available from companies.\(^4^0\)

41. **www.autojdpower.com** (2012), article entitled, “Auto Financing Tips,” has focused on three keys to successful auto financing namely determine what fits to your budget, stay focused and protect your credit. It is also suggested in the article that as a customer and as a borrower one should check interest rates
his credit score and financing options with some intensity. It is also noticed from the article that currently more than one in five vehicle buyers secure financing with assistance from the dealer. The auto loan financing market is booming increasingly crowded.41

42. **www.apanapaisa.com** (*2012*) article entitled “Car Loans in India – Auto Loan on New or Used Cars,” has defined vehicle loan or car loan as any finance availed for the purchase of a brand new or used car. The article also focuses on the attention of the borrowers towards understanding of car loan application process, knowing car loan documentations, knowing car loan EMI (principal and interest) calculation and arriving at a decision making to raise loan.42

43. **www.get approved.com/finance/car** (*2012*) article entitled “Know the Facts 0% Financing,” the truth behind 0% financing, it is stated that in the article that ,offering of 0% financing may inflate the price of vehicle to make up for lost finance charges a reputable dealer allow a customer to negotiate the best possible deal before the 0% with 0% financing the customer choice of vehicle options can be greatly limited.43

44. **Vinit Kaura and Saroj Kumar Datta** (*2012*) in their article entitled “Impact of Service Quality on Satisfaction in the Indian Banking sector,” has revealed that improved people process and physical evidence aspects of service quality helps in increasing customers satisfaction .It also highlighted that financial institutions have undergone intense competition and a change in customer expectation over the last few years. Intense competition and endlessly evolving customer demand have led Indian banks to identify drivers of customer’s satisfaction and loyalty .they also strongly emphasized that customer’s satisfaction is key for survival in the market.44

45. **MacMillan** (*2012*) in his book entitled “Retail Banking,” has discussed idea of retail banking, its evolution, its character and constraints in retail
banking. Under retail banking he has also covered at length auto loans RBI data. The data reflects growth rate since 2004 to 2009 showing decreasing growth rate in auto loans 2004-Nil, 2005-35043 crores, 2006-61369 crores (with growth rate 75.1), 2007-Rs.87998 crores (with growth rate 6.6), 2008-Rs.83915 crores (with growth rate -4.6).  

46. **Shivaji Patil (2000),** in his thesis entitled “Problems and Prospects of Lease Financing in India,” he has focused various aspects of lease finance such as evolution and status of lease financing, global perspective, growth and development of lease financing in India, accounting and taxation of lease financing. He also studied the different models of lease evaluation analysis, analysis of financial structure of lease financing companies in India. As well as he studied problems and prospects of lease financing in India. The researcher found in his study that inadequate funds were the major problem of lease business. The other findings of his study were growth of industry, structure lease scheme, cash flow, borrowing capacity, technology obsolescence accounting etc.  

47. **www.getapproved.com (2012),** article entitled “Car Finance Guide,” has highlighted on car finance options such as consumer loan, stated that a consumer loan is a flexible option for financing your next motor vehicle. The another option given in the article that chattel mortgage allows your business to obtain a business use car loan, businesses like sole traders, partnership and large corporations obtain guaranteed car finance for a motor vehicle. The next option has expressed CHP for vehicles. Car hire purchase (CHP) essentially means that a finance company buys a vehicle for a customer and then grants the client use and custody of the motor vehicle on an contractually stated payment plan, an article also expressed option of novated lease for cars, A novated lease is an agreement where your employer leases a vehicle on your behalf, while you make the payments towards the vehicle. In this regard article stated that loan approval process; it includes quoting, application stage, lender selection, approval and settlement.
48.  **www.carsdirect.com (2012)**, article entitled, “How to Research and Apply for Business Auto Loan” focuses on tips for business car loan, it includes banking advisor, get the business car loan first, know your score, be wary of additional fees, longer term payment can cost, know the APR (annual percentage rate) 0% down is not as it seems. Article also stated that commercial car loan with no collateral and business car loans with bad credit.  

**2.6 Conclusion:**

Thus after having referred and cross examined the past literature, researcher arrived at the stage where he realized that there is hardly any research undertaken on the subject, and there is no such literature observed which is directly or indirectly related to the present research work entitled “A COMPARATIVE STUDY OF PROBLEMS AND PROSPECTS OF AUTOMOBILE FINANCE WITH REFERENCE TO SELECTED AUTOMOBILE FINANCE COMPANIES IN KOLHAPUR DISTRICT” and hence decided to proceed to conduct the present research work with a view to contribute sincerely and throw light on the problems and prospects of automobile finance companies.
References


