CHAPTER VII
FINDINGS AND SUGGESTION

INTRODUCTION

The present chapter, being the concluding chapter of this research endeavour, brings together the conceptual and analytical strand in the preceding chapters and present the findings of this research endeavour together with the suggestions emanating there from. The findings are based on the analytical exercise of the data collected from the respondents mentioned below:

A) Auto-loan borrowers
B) Automobile finance(Banks and Non-banking) companies

FINDINGS:

A) Auto-loan Borrowers:

1) About Gender Proportion:

It is observed that male auto loan borrowers are significantly very large in number and dominance as compared to female auto loan borrowers. This is found among all auto finance companies from the public sector, co-operative sector, private sector banks and also in non-banking finance companies. (Table No.6.2.1, page No 156)

2) About Education:

It is noticed that most of the auto loan borrowers are well educated. Some of them have also completed post-graduation. Very few borrowers are educated up to 12th standard. However the overall educational background of the auto loan borrowers is found satisfactory. Most of the auto loan borrowers are found in the middle age category of 36 to 45 years age group. (Table No.6.2.3, page No159)

3) About Occupation:

From the occupational status of the auto loan borrowers, it is observed that near about 50% respondents are the salary earners, and rest of the respondents are self–employed entrepreneurs, professionals, and businessmen.
The proportion of these salary earner respondents has been found more or less equal among all public, co-operative, private and non-banking finance companies. (Table No.6.2.4, page No.161)

4) **About Family Set-up:**
   
   It is observed that there are maximum six members in the family of the respondents. Further while questioned to know whether they need four wheeler for their family irrespective of total members in the family, it is significantly noticed that majority of the auto loan borrowers have only three members in the family and very few respondents less than 10% though they are financially sound having income above Rs.50,000, also have raised loan to purchase four wheeler vehicle, and very few of them also possess four wheeler vehicle more than one. (Table No.6.2.5, page No.163)

5) **About sources of approach to finance companies:**
   
   It is observed that auto loan borrowers have approached finance companies mostly through their friends, relatives, and auto dealers, representative of auto finance company and through by referring advertisement of auto finance company. The large numbers of auto loan borrowers have approached through friends and relatives. Contrary to this, it is also observed that comparatively very small number of auto loan borrowers have approached through auto dealer and their representative, and through advertisement of finance company.

   Again it is seen that large number of borrowers have raised auto loan simply by paying one visit to finance companies. Generally borrowers pay many visits to the office of finance companies to approve auto loan as early as possible. (Table No.6.2.12, page No.172)

6) **About choosing of specific auto finance scheme:**
   
   Financing company’s offer various auto finance schemes. However the selection of suitable scheme require prior study of the auto finance schemes offered by different auto finance companies. It is seen that margin money scheme and advanced EMI cheques scheme have been studied and chosen by more than 70% auto loan borrowers. All finance companies under study have
recommended the only margin money scheme to their auto loan borrowers. (Table No.6.2.14, page No.175)

7) **About documents called for in support of loan application:**

It is observed that documents called for in support of loan application are numerous and it becomes difficult for loan applicant to search for and obtain these documents from respective government and semi-government offices. The documents called for are invariably the borrower’s and guarantor’s identity proof, photographs, proof of permanent address, borrower’s and guarantor’s signatures verified by their respective banks, proof of income of borrower, and guarantor, proof of other institutional loan of borrower and guarantor, collateral security documents, PAN card of borrower and guarantors and so on. (Table No.6.2.16, page No.178)

8) **About sanction of loan amount:**

Taking into consideration the prices of four wheeler vehicles, minimum and maximum amount of loan amount required, and maximum amount of loan required it is noticed from the above table that very few respondents have asked for loan above Rs. 8,00,000. Good number of respondents have asked for loan up to Rs. 4,00,000.

The auto loan borrowers have not received complete amount of auto loan. They have received loan amount upto 90% of the cost of vehicle and they were compelled to contribute for the remaining amount. (Table No.6.2.18, page No.181)

9) **About interest rate system in practice:**

Floating rate of interest system has been exercised by auto loan financiers from the public sector, private sector, and co-operative sector banks. Fixed rate of interest system is being exercised by NBFC and co-operative sector banks. Borrowers, rather, have accepted whatever rate of interest system exercised by the finance companies. (Table No.6.2.19, page No.182, Table No.6.2.20, page No.183)
10) **About mode of loan repayment:**

Regarding mode of repayment of the loan, it is found that almost all finance companies have exercised equated monthly instalment, and the maximum period of repayment of loan that has been opted by the borrowers is five years to seven years duration. Less than 20% borrowers have opted 3 years and fours duration of repayment. (Table No.6.2.21, page No.184)

11) **About selection of finance company for auto-loan:**

Six statements indicating the reasons for selecting the respective finance company for auto-loan were posed before the auto loan borrowers to rate them in the order of their relative level of agreement or disagreement to the statements (Refer table no. 6.2.22 on page No. 186).

   a) In respect of auto loan financiers from public sector banks, it is found that of the total six statements:

   - Two statements namely “Convenient Location of Finance Company” and “Reputation of Finance Company” have secured “Fair Rank” with a mean score of 3.43 (68.60%) and 3.15 (63.00%) respectively.
   - One statement namely, “Easy Access to Finance Company” has received “Average Rank” with a mean score 2.61 (52.20%)
   - Three statements namely “Proper Guidance on Auto finance by Finance Company”, “Reduced initial rate of interest on auto finance” and “Brand name” of auto finance company have received “Below average rank” with a mean score 2.41 (48.20%), 2.20 (44.0%) and 2.17 (43.40%) respectively.

   b) In respect of auto loan financiers from co-operative sector banks, it is found that of the total six statements: One statement namely “Convenient location of company” has secured Good rank with a mean score of 3.55 (71.00%)  

   - One statement namely “Easy access to finance company” has obtained fair rank with a mean score of 3.17 (63.40%)
Two statements namely “Brand name of the company” and “Reputation of finance company” have received average rank with a mean score of 2.38 (47.60%) and 2.34 (46.80%) respectively.

c) In respect of auto loan financiers from private sector banks, it is found that of the total six statements:
   ➢ Three statements namely “Easy access to finance company’, “Reduced initial rate of interest on auto finance” and “convenient location of the finance company” have secured fair rank with a mean score of 3.10 (62.00%), 3.07 (61.40%) and 3.07 (61.40%) respectively.
   ➢ Two statements namely “Proper guidance on auto finance by finance company” and “Reputation of finance company” have received average rank with a mean score of 2.92 (58.40%) and 2.57 (51.40%) respectively.
   ➢ One statement namely “Brand name of the company” has received below average rank with a mean score of 2.02 (40.40%).

d) In respect of auto loan financiers from non-banking finance companies, it is found that of the total six statements:
   ➢ One statement namely proper guidance on auto finance by finance companies has obtained fair rank with a mean score of 3.05 (61.00%)
   ➢ Four statements namely “Reputation of finance company”, “Easy access to finance company”, “Convenient location of finance company” and “Reduced initial rate of interest on auto finance” have received average rank with a mean score of 2.95 (59.00%), 2.57 (53.40%), 2.62 (52.40%) and 2.52 (50.40%) respectively.

Overall collectively it may thus be concluded that on the basis of average mean score of six statements, all these automobile finance companies are at average level as shown below in a descending order with their mean score and percentile values.
### Automobile finance companies

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Percentile value</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cooperative sector bank</td>
<td>2.875</td>
<td>57.50%</td>
<td>Average</td>
</tr>
<tr>
<td>Private sector banks</td>
<td>2.791</td>
<td>55.83%</td>
<td>Average</td>
</tr>
<tr>
<td>Non banking finance companies</td>
<td>2.701</td>
<td>54.03%</td>
<td>Average</td>
</tr>
<tr>
<td>Public sector banks</td>
<td>2.661</td>
<td>53.23%</td>
<td>Average</td>
</tr>
</tbody>
</table>

#### 12) About financing approach towards “New vehicles” and “Second hand used vehicles:

Four statements indicating the approach of finance companies towards financing to “New vehicle” and “Second hand used vehicles” were put forth before the auto loan borrowers to rate them in order to their level of agreement or disagreement to the statements (refer table No. 6.2.23 page No. 189)

a) In respect of auto loan financiers from public sector banks it is found that of the total four statements:

- One statement namely “Finance companies provide auto loan for the purchase of new vehicle” has received excellent rank with mean score 4.21 (84.20%)
- One statement namely “Finance companies provide auto loan for the purchase of second hand vehicles” has received fair rank with mean score of 3.38 (67.60%)
- Two statements namely “Finance companies sanction 100% auto loan for second hand vehicles”, and “Finance companies sanction 100% auto loan for new vehicles” have received below average rank with a mean score of 83 (36.60%) and 1.63 (32.60%) respectively.

b) In respect of auto loan financiers from co-operative banks, it is found that of the total four statements:

- One statement namely “Finance companies provide auto loan for the purchase of new vehicle” has secured good rank with mean score 3.53 (70.60%)
One statement namely “finance companies provide auto loan for the purchase of second hand vehicle has received fair rank with mean score 3.08 (61.60%).

Two statements namely “Finance companies provide 100% auto loan for second hand vehicles” and “Finance companies provide 100% auto loan for new vehicles” have received mean score of 1.77 (35.40%) and 1.76 (35.20%) respectively.

c) In respect of auto loan financiers from private sector banks, it is found that of the total four statements.

Two statements namely “Finance companies provide autoloan for second hand vehicles” and “finance companies provide autoloan for new vehicles” have merely received average rank with mean score of 2.82 (56.40%), 2.72 (54.40) respectively.

Two statements namely “Finance companies provide 100% auto loan for new vehicles” have received below average rank with a mean score of 1.77 (34.40%) and 1.67 (33.40%) respectively.

d) In respect of auto loan financiers from the non banking finance companies, it is found that of the total four statements:

Two statements namely “Finance companies provide auto loan for new vehicles” and “Finance companies provide auto loan for second hand vehicles” have secured “favourable rank” with a mean score of 3.47 (69.40%), and 3.01 (60.20%) respectively.

Two statements namely “Finance companies provide 100% auto loan for second hand vehicles” and “Finance companies provide 100% auto loan for new vehicles” have received below average rank with mean score of 1.80 (36.00%), and 1.75 (35.00%) respectively.

Overall collectively it may thus be concluded that on the basis of average mean score of four statements all these automobile finance companies are at average level as shown below in a descending order with their mean score and percentile values.
### Automobile finance companies

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Percentile value</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public sector banks</td>
<td>2.7625</td>
<td>55.25%</td>
<td>Average</td>
</tr>
<tr>
<td>Cooperative sector bank</td>
<td>2.535</td>
<td>50.70%</td>
<td>Average</td>
</tr>
<tr>
<td>Non banking finance companies</td>
<td>2.232</td>
<td>44.64%</td>
<td>Below average</td>
</tr>
<tr>
<td>Private sector banks</td>
<td>2.507</td>
<td>50.14%</td>
<td>Average</td>
</tr>
</tbody>
</table>

13) **About automobile finance procedure, and related charges:**

Six statements indicating the formed procedure of auto loan sanction, its disbursement and related charges of auto loan finance, were posed before the auto loan borrowers to rate them in order to their level of agreement or disagreement to the statements (refer table no. 6.2.24 page No. 192)

a) In respect of auto loan financiers from public sector banks it is found that of the total six statements:

- Four statements namely “Loan processing fees are reasonable”, “Loan foreclosure charges re reasonable”, “Employees of the finance company are co-operative” and “Rates of interest on auto loan are reasonable” have received merely “Average rank” with a mean score of 2.87 (57.40%), 2.87 (57.40%), 2.71 (54.20%) and 2.66 (53.20%) respectively.
  
- Two statements namely “Loan processing, sanctioning and disbursement procedure is highly efficient”, and “Finance Companies display various auto finance schemes on the notice board” have received “below average rank” with a mean score of 2.43 (48.60%), and 1.72 (34.40%) respectively.

b) In respect of auto loan financiers from co-operative sector banks it is fond that of the total six statements,

- Three statements namely “Loan foreclosure charges are reasonable”, “Loan processing fees are reasonable”, and “Employees of the finance company are co-operative” have
merely received ‘average rank’ with a mean score of 2.95 (59.00%), 2.71 (54.20%), 2.67 (53.40%) respectively.

- Three statements namely, “Loan processing sanctioning, and disbursement procedure is highly efficient”, “Rates of interest on auto loan are reasonable” and “Finance company display various auto finance schemes on the notice board”, have received ‘below average rank’ with mean score of 2.44 (48.80%), 2.41 (48.20%), 1.75 (35.00%) respectively.

c) In respect of auto loan financiers from private sector banks it is found that of the total six statements:

- Three statements namely “employees of the finance companies are co-operative”, “Loan processing sanctioning and disbursement is highly efficient” and “Loan foreclosure charges are reasonable” have received merely average rank with mean score of 2.63 (53.00%), 2.60 (52.00%), and 2.57 (51.40%) respectively.

- Three statements namely “loan processing fees are reasonable”, “Rates of interest are reasonable”, and “Finance company display various auto finance schemes on notice board” have received ‘Below average rank” with mean score of 2.47 (49.40%), 2.22 (44.46%) and 1.82 (36.40%) respectively.

d) In respect of auto loan financiers from non banking finance companies, it is found that of the total six statements:

- Three statements namely “loan processing fees are reasonable”, “Rates of interest are reasonable”, and “Loan foreclosure charges are reasonable” have received ‘average rank’ with mean score of 2.80 (56.00%), 2.57 (51.40%) and 2.50 (50.00%) respectively.

- Three statements namely “Loan processing sanctioning and disbursement is highly efficient”, “Finance company display various auto finance schemes on notice board”, and “Employees of the finance company are co-operative” have received below
average rank with a mean score of 2.40 (48.00%), 1.85 (37.00%), and 1.52 (30.40%) respectively.

Overall collectively, it may thus be concluded on the basis of average mean score of six statements that all these finance companies are at average level as shown below in a descending order with their mean score and percentile values.

<table>
<thead>
<tr>
<th>Automobile finance companies</th>
<th>Mean</th>
<th>Percentile value</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public sector banks</td>
<td>2.543</td>
<td>50.86%</td>
<td>Average</td>
</tr>
<tr>
<td>Cooperative sector bank</td>
<td>2.488</td>
<td>49.76%</td>
<td>Below average</td>
</tr>
<tr>
<td>Private sector banks</td>
<td>2.388</td>
<td>47.76%</td>
<td>Below average</td>
</tr>
<tr>
<td>Non banking finance companies</td>
<td>2.273</td>
<td>45.46%</td>
<td>Below average</td>
</tr>
</tbody>
</table>

14) About borrower’s loyalty reflection towards auto finance companies:

Three statements related to borrowers loyalty reflection towards auto finance company where posed before the auto loan borrowers to rate them in the order of their relative level of agreement or disagreement to the statements (Refer Table No. 6.2.25 Page No.195)

a) In respect of auto loan financier from public sector banks it is found that of the total three statements:
   - One statement namely “As a well wisher of finance company, I will give honest suggestions for prospects of finance company” has secured good rank with a mean score of 3.61 (72.20%)
   - Two statements namely “I will recommend this autofinance company to my friends/relatives”, and “I will continues to take services from this finance company” have obtained ‘fair ranks’ with mean score of 3.42 (68.40%), and 3.35 (67%) respectively.

b) In respect of auto loan financiers from co-operative sector banks it is found that of the total three statements:
- One statement namely “I will recommend this auto finance company to my friends/relatives” has obtained ‘fair rank with a mean score of 3.05 (61%).

- Two statements namely “I will recommended this auto finance company to my friends/relatives” and “I will continuous to take services from this finance company” have received merely “average rank” with a mean score of 2.91 (58.20%) and 2.75 (55%) respectively.

c) In respect of auto loan financiers from private sector banks it is found that of the total three statements:

- One statement namely “I will recommend this auto finance company to my friends/relatives has secured ‘fair rank’ with a mean score of 3.15 (63%)

- Two statements namely “as a well wishers of finance company I will given honest suggestions for good prospects of finance company”, and “I will continue to take services from this finance company have received” average rank with a mean score of 2.97 (59.40%), 2.90 (58%) respectively.

d) In respect of auto loan financiers of co-operative sector banks, it is found that of the three statements:

- One statement namely “as a well wisher of finance company I will give honest suggestions for good prospects of finance company” has secured fair rank with a mean score of 3.45 (69%).

- Two statements namely, “I will recommend this auto finance company to my friends/relatives”, and “I will continue to take services from this finance company” have received average ranks with mean scores of 2.72 (54.4) and 2.55 (51%) respectively.

Overall collectively it may thus be concluded on the basis of average mean scores of three statements, that automobile finance companies are at fair rank and at average level as shown below in descending order with their mean score and percentile values.
<table>
<thead>
<tr>
<th>Automobile finance companies</th>
<th>Mean</th>
<th>Percentile value</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public sector banks</td>
<td>3.46</td>
<td>69.20%</td>
<td>Fair</td>
</tr>
<tr>
<td>Private sector banks</td>
<td>3.006</td>
<td>60.12%</td>
<td>Fair</td>
</tr>
<tr>
<td>Cooperative sector bank</td>
<td>2.903</td>
<td>58.16%</td>
<td>Average</td>
</tr>
<tr>
<td>Non banking finance companies</td>
<td>2.906</td>
<td>58.12%</td>
<td>Average</td>
</tr>
</tbody>
</table>

15) **About reasons for switch over to other finance company:**

Four statements showing the reasons for switchover to other finance companies were posed before the auto loan borrowers to rate them in the order of their relative level of agreement of disagreement to the statement (Refer Table No. 6.2.26 page No. 198)

a) In respect of auto loan financiers from public sector banks it is found that all these four statements namely Reduced initial rate of interest by competing finance companies, High hidden charges, High amount of Penal charges, and Non-fulfilment of expectations related to auto finance services have received “Excellent rank” with a mean score of 4.27 (85.40%), 4.11(82.20%), 4.08(81.60), and 4.00(80.00%) respectively.

b) In respect of auto loan financiers from co-operative sector banks it is found that of the total four statements-

- One statement named “Reduced initial rate of interest by competing finance companies” has secured ‘Excellent rank with a mean score of 4.17(83.40%)

- Three statements named “Non-fulfilment of expectations related to auto finance services” “High hidden charges”, and “High amount of Penal Charges,” have received “Good ranks “ with a mean scores of 3.73 (74.60%), 3.68 (73.60%), and 3.55(71.00%) respectively.

c) In respect of auto loan financiers from private sector banks it is found that of the total of the total four statements-
One statement named “Reduced rate of interest by competing finance companies, “has secured excellent rank with a mean score of 4.30(86%)

Two statement named” Non-fulfilment of expectations related to auto finance services, “ and “High amount of penal charges” have obtained “Good rank” with a mean score of 3.65(73%), 3.62(72.40%) respectively.

One statement named “High hidden charges has received “Average rank, with mean score of 2.97(59.40%)

d) In respect of auto loan financiers from Non-banking finance companies it is found that of the total four statement –

One statement named “Reduced initial rate of interest by competing finance companies has secured “Excellent rank ” with mean score of 4.15(83%)

Two statement named “Non-fulfilment of expectations related to auto finance services,” and “High amount of penal charges,” have obtained “Good rank”, with mean scores of 3.62 (72.40%), 3.52(70.40%) respectively.

One statement named “High hidden charges” has received “Fair rank”, with a mean score of 3.45 (69%).

Overall collectively it may thus be concluded on the basis of average mean score of four statements that financed companies are at “Excellent “ and “Good level” as shown below in descending order with their mean score and percentile values.

<table>
<thead>
<tr>
<th>Automobile finance companies</th>
<th>Mean</th>
<th>Percentile value</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public sector banks</td>
<td>4.115</td>
<td>82.30%</td>
<td>Excellent</td>
</tr>
<tr>
<td>Cooperative sector bank</td>
<td>3.782</td>
<td>75.65%</td>
<td>Good</td>
</tr>
<tr>
<td>Non banking finance companies</td>
<td>3.685</td>
<td>73.70%</td>
<td>Good</td>
</tr>
<tr>
<td>Private sector banks</td>
<td>3.635</td>
<td>72.70%</td>
<td>Good</td>
</tr>
</tbody>
</table>
16) **About borrower’s expectations from the automobile finance companies:**

Four statement showing the expectations of auto loan borrowers from the auto mobile finance companies were posed before the auto loan borrowers to rate them in the order of their relative level of agreement or disagreement to the statement (Refer Table No.6.2.27 page No. 200)

a) In respect of auto loan financiers from the public sector banks it is found that of the total four statements—

- Two statements namely, “No hidden charges” and Quick and prompt service” have received “Excellent rank with a mean scores of 4.13 (82.60%), and 4.11 (82.20%) respectively
- Two statement namely “ Ease of documents ,” and “ Time to time guidance on auto finance schemes”, have received “Good rank” with mean scores of 3.78(75.60%) and 3.75(75%) respectively

b) In respect of auto loan financiers from co-operative sectors it is found that all four statements namely , Time to time guidance on auto loan schemes”, “ Quick and prompt services”, No hidden charges, and “ Ease of documents”, have received “Good ranks with mean scores of 3.67(73.40%), 3.57(71.40%) 3.56(71.20%) and 3.54(70.80%) respectively.

c) In respect of auto loan financiers from private sector banks, it is found that all four statements namely, “No hidden charges,” “Quick and Prompt services”, “Ease of document “, and “Time to time guidance on auto finance schemes” have obtained “Good rank” with mean score of 3.80(76%), 3.77(75.40%), 3.60(72%) and 3.60(72%) respectively.

d) In respect of auto loan financiers from non-banking finance companies, it is found that of the total four statements-

- Three statements namely “ Quick and prompt services,” Time to time guidance on auto finance schemes” and “ No hidden charges”, have received Good ranks with mean scores of 3.67 (73.40%), 3.65(73%) and 3.52(70.40%)
One statement namely “Ease of document”, has received “Fair rank with a mean score of 3.40 (68%)"

Overall collectively it may thus be concluded on the basis of average mean scores of four statements that finance companies are at “Good level” as shown below in descending order with their mean scores and percentile values.

<table>
<thead>
<tr>
<th>Automobile finance companies</th>
<th>Mean</th>
<th>Percentile value</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private sector banks</td>
<td>3.942</td>
<td>78.85%</td>
<td>Good</td>
</tr>
<tr>
<td>Public sector banks</td>
<td>3.692</td>
<td>73.85%</td>
<td>Good</td>
</tr>
<tr>
<td>Cooperative sector bank</td>
<td>3.585</td>
<td>71.70%</td>
<td>Good</td>
</tr>
<tr>
<td>Non banking finance companies</td>
<td>3.56</td>
<td>71.20%</td>
<td>Good</td>
</tr>
</tbody>
</table>

17) About borrower’s opinion about staff of auto finance company:

Four statements about staff auto finance company were posed before the auto loan borrowers to rate them in order of their relative level of agreement or disagreement to the statements. (Refer Table No.6.2.28 page No.202)

a) In respect of auto loan financiers from the public sector banks it is found that of the total for statements-

- One statement namely “Staff is properly trained “has secured “Good rank with a mean score of 3.97(79.40%)
- Three statements namely, “Staff behave gently and decently”, “Staff is always available at their counter,” and “staff is co-operative” have received “average ranks with mean scores of 2.78(55.60%), 2.61(52.20%) respectively

b) In respect of auto loan financiers from co-operative banks it is found that of total four statements:

- One statement namely “Staff is properly trained “has obtained Fair rank with a mean score of 3.14 (62.80%)
- Three statements namely “ Staff is co-operative”, “Staff is always available at their counter”, and “staff behave gently and
decently”, have received of “Average rank with mean scores of 2.90 (58%), 2.89(57.80%) and 2.70(54%) respectively.

c) In request of auto loan financiers from private sectors banks it is found that all these four statements namely, “staff is co-operative,” “staff is properly trained”, and staff is always available at their counter” have received “Average ranks where above mentioned first three statements are with mean score of 2.65(53%) for each, and fourth statement with a mean score of 2.55 (51%) respectively.

d) In respect of auto loan financiers from non-banking finance companies it is found that all these four statements namely, “staff is always available at their counter,” “staff is co-operative”, “staff behave gently and decently”, and staff is properly trained”, have received only “Average rank” with mean scores of 2.65(53%), 2.62(52.40%), 2.60(52%), and 2.52(50.40%) respectively.

Overall collectively it may thus be concluded on the basis of average mean scores of four statements that finance companies are at “Average level as shown below in descending order with their mean scores and percentile values,

<table>
<thead>
<tr>
<th>Automobile finance companies</th>
<th>Mean</th>
<th>Percentile value</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public sector banks</td>
<td>2.9675</td>
<td>59.35%</td>
<td>Average</td>
</tr>
<tr>
<td>Cooperative sector bank</td>
<td>2.9075</td>
<td>58.15</td>
<td>Average</td>
</tr>
<tr>
<td>Private sector banks</td>
<td>2.625</td>
<td>52.50</td>
<td>Average</td>
</tr>
<tr>
<td>Non banking finance companies</td>
<td>2.5875</td>
<td>51.95</td>
<td>Average</td>
</tr>
</tbody>
</table>

18) About overall satisfaction of Borrowers towards auto finance services

With regards to the auto finance services offered by respective finance companies, it is found that majority of the auto loan borrowers are dissatisfied. Very few respondents opined that they are satisfied. However the fact cannot be ignored that finance companies have to pay more attention towards enhancing their efforts to provide satisfactory services. (Table No.6.2.29, page No.204)
19) **About reminding to defaulters**

Due to some of the reasons sometimes the borrowers find themselves unable to pay EMI in time. But when such EMI defaulters increases and becomes large in numbers, finance companies suffer and find it difficult to operate business smoothly. From the analysis, it is found that there is large number of EMI defaulters, which is very serious from the point of view of recovery. Almost all finance company remind to their EMI defaulters through SMS telephone and letter only. (Table No. 6.2.31 page No. 206, Table No. 6.2.32 page No. 208)

20) **About pre-mature settlement of auto loan**

By making regular payment of EMI, borrowers can clear the loan account on the date of maturity. Borrowers are given sufficient time to repay the loan however it is found that more than 80% auto loan borrowers have planned to make pre payment of their auto loan. The major reasons observed in this regard were the high rate of interest, hidden charges, and high penalty for delayed EMIs (Table No. 6.2.33 Page No. 209, Table No. 6.2.34 Page No. 211)

21) **About complaints of borrowers**

Majority of the respondents have complained that there is no quick service, numerous documentations, hidden charges, penal interest, and no freedom to change options. These complaints are more or less experienced by respondents in these auto finance companies from the public sector, co-operative, private sector banks and NBFC. (Table No.6.2.36, page No.214)

B) **Automobile finance (Banks and Non-banking) companies**

1) **About auto loan finance and marketing:**

It is found that almost all finance companies are actively engaged in providing auto finance services to the salary earners, professionals, and businessmen and like others. More than 80% finance companies initiate good marketing efforts for their auto finance business. They prepare plans for marketing their auto finance schemes. These plans are quarterly, half yearly, yearly and then they set the target for auto finance schemes. However it is also found that there is no 100% achievement of set target. They have achieved the
set target upto 70% only. (Refer. Table 6.2.39 Page No.217, Table 6.2.40 Page No. 218, Table 6.2.41 Page No.219, Table 6.2.42 Page No.219, Table 6.2.43 Page No.219, Table 6.2.44, Page No.221)

2) **About promotion of auto finance:**

It is found that, the finance companies have resorted to huge advertisement media and tie up with auto dealers .It is also found that the auto finance schemes like margin money scheme, and advanced EMI schemes are being responded largely by auto loan borrowers .The finance companies have spread their business in other districts and also in some regions of other states .there is tie up with manufacturers. The finance companies also participate in auto loan mela exhibition. They need to pay attention to conduct survey of customers to promote auto finance business. Further more than 70% finance companies do not have their specific brand name for automobile finance schemes.(Refer. Table 6.2.53 Page No. 228, Table 6.2.54 Page No.228, Table 6.2.55 Page No. 229)

3) **About auto loan procedure**

From the analysis of data it is found that maximum 900 auto loan applications have been received by one finance company, and surprisingly it is found that more than 40% finance companies have received auto loan applications less than 100. This mass variation indicate that auto loan practices being followed by finance companies are certainly not strategically framed .

Regarding approval of auto loan it is found that all loan applications have not being approved. 80 to 90% applications are approved and rest are rejected by finance companies on account of incomplete applications, or inability to make down payment, and inability to offer collateral / guarantor. (Refer Table 6.2.48 Page No.225, Table 6.2.50 Page No.226, )

Further the duly filled applications are appraised by all 100% finance companies on the basis of net monthly income and number of dependents on the income of the auto loan applicant .It is also observed that near about 50% finance companies give due weight age to the aspects namely ability to offer
guarantors, brand value, and resale value of vehicle. (Refer. Table 6.2.56 Page No.230, Table 6.2.57 Page No.230)

Regarding time taken to sanction loan, it is found that most of the finance companies take maximum two weeks, and can provide maximum upto Rs. 30,00,000 auto loan to borrowers. It is also found that very few finance companies provide auto loan upto 95% cost of the vehicle. (Refer Table 6.2.59 Page No.232, Table 6.2.60 Page No.233, Table 6.2.62 Page No.234)

Finance companies have provide option to select rate of interest system but (either fixed or floating rate of interest) have not provided option to switchover for choice of interest rate. (refer Table 6.2.63 Page No.235, Table 6.2.64 Page No.235)

Regarding auto loan processing fees, penalty of delayed EMIs, and foreclosure charges, it is found that all finance companies strictly collect these charges from auto loan borrowers and also they have noticed that borrowers reactions on these charges are not satisfactory.

SUGGESTIONS

1) Auto finance- marketing research:

In view of the findings and the prevailing competitive market, it is suggested that the finance companies should take a review of their previous performance and should go for conduct of marketing research in their respective field of automobile finance. Further, any short range and large range plans of the auto finance companies should be based on the recently conducted marketing research makes it possible for finance companies to prepare confidently for the retention of their existing customers. Marketing research provides data on which, the members of the management board of the auto finance companies can base their decisions. The auto finance companies, who are banks from public sector, and co-operative sectors are advised to update their market research efforts.
2) **Professionalism of administration:**

Professionalism of administrative apparatus is suggested especially for auto finance companies from public sector banks and co-operative sector banks. The massive reform is needed and then only the application of professional management at the all levels of auto financing operations would be meaningful. This professionalism of administration should start with staff training programmes. These programmes should comprise tools and tactics of how to identify prospective customer for your auto loan finance business, analysis of needs and expectations of the prospective borrowers, proper convincing, and communication, guiding on auto finance procedure, and keeping the follow up.

The professionalization of administration is very much needed in the auto finance companies, which are the banks from public sector and co-operative sector and therefore they are advised to go for professionalization of administration.

3) **Tailor made strategy for “class” and “mass”**

**Prospective auto loan borrowers:**

In order to fulfil the specific requirements and expectations of the auto loan borrowers, it is suggested that the finance companies should first conduct market survey and obtain the necessary information about prospective auto loan borrowers. Such information certainly proves very much useful while developing the profile of prospective auto loan borrowers in terms of their professional, business, social, family, and the financial status.

Referring to the status of auto loan borrowers, the finance companies should classify the status-oriented requirements and expectations and frame the tailor made auto finance schemes for “class” and “mass” categories of prospective auto loan borrowers.

4) **Taking cognizance of complaints of auto loan borrowers:**

It is quiet necessary for the finance companies to know the opinion of their borrowers about the finance company. It is also important to take the cognizance of any kind of problems being faced, and complaints being raised
by the borrowers. By arranging monthly meet of borrowers, it is possible to interact and take the feedback from the borrowers. This monthly meets with borrowers can bridge the gap between borrowers and the finance company. In these meetings the problems and complaints should be addressed with positive attitude in a solvable manner.

5) Building auto loan borrowers loyalty:

Loyal borrowers are long term assets for any business organization. By observing the borrowers schedule of repayment of EMI, his approach to recommend finance company to his friends/relatives, his suggestions for betterment of finance company it is possible to identify the loyal/borrowers. It is suggested that automobile finance from co-operative sector banks and non-banking finance companies should identify such type of loyal borrowers and should design the criteria to inculcate loyalty. The loyal borrowers have emotional band with a finance company. They continue to be with the same finance company even competing finance companies offer attractive packages. They easily resist competitors move.

6) Build Reputation:

All the finance companies from the private sector banks, co-operative sector banks, and non-banking finance sector are suggested to enhance their goodwill reputation. While raising loan, prospective auto loan borrowers take the review of the track record of auto finance company, its financing procedure, performance and reputation. These things make prospective borrower to proceed to select finance company for raising auto loan. Borrowers prefer reputed finance company and therefore enhancing goodwill, reputation contributes a lot to these finance companies to attract prospective borrowers.

7) Reframe Auto loan Guidance System:

Finance companies from the public sector banks and co-operative sector banks are suggested to modify and reframe their auto loan guidance system. The proper training should be provided to staff and decency in communication, and convincing should be observed while dealing with prospective auto loan
borrowers. Borrowers should be properly guided and their doubts, queries should be promptly cleared.

8) **Initial rate of interest flexibility:**

With regards to initial reduced rate of interest the finance companies i.e. the banks from public sector, co-operative sector, and non banking finance companies should accommodate the principle of flexibility. In a competitive finance market, it is necessary to follow the competitive reduced rate of interest. This would naturally attract prospective auto loan borrowers towards such finance companies who adopt competitive reduced rate of interest policy.

9) **Brand Image Maintenance:**

It is commonly suggested to all auto finance companies to take more efforts towards enhancing the brand image that in turn may facilitate to increase the turnover of auto finance schemes launched by these finance companies. Almost all finance companies have received ‘average’ and ‘below average’ rating which is not a sign of good brand image. Therefore these finance companies are suggested to take feedback and take efforts to maintain good brand image. Once brand image is developed prospective borrowers come with confidence.

10) **Clear contents of 100% financing:**

With regards to 100% auto finance, it is suggested to all finance companies that they should mention the clear contents of 100% finance schemes for new vehicles and for second hand vehicles, sometimes borrowers fell that they are misguided and confuse about 100% finance. Therefore finance companies should to take care to avoid ambiguity in the contents of 100% financing.

11) **Implementation of credit score system:**

In order to have proper appraisal of auto loan applications from the point of view of the credit history and reputation of the applicant, it is suggested that the finance companies should introduce the credit score system.
A credit score system focuses on potential borrower’s credit report, and represent the amount of risk he brings to a particular auto loan transaction. Steps involved in adopting credit score system:

- The lending finance companies should proceed first to know the types of risks as mentioned below:
  - Whether borrowers fail to pay i.e. **credit risk**;
  - Possibility of loss of money due to wrong strategy i.e. **business risk**;
  - Possibility of interest rates fluctuations i.e. **market risk**;
  - Possibility of procedure failures and frauds i.e. **operation risk**;

To obviate these risks and to have a reason-based and professional appraisal system for sanctioning auto loan, the finance companies should decide how to set criteria for “Good Credit Score”

- **Forming “Good Credit Score” criteria**

  The finance companies should set the criteria for “Good Credit Score” by assigning due weightage to the key aspects like payment history of the applicant, amount owned by him, length of credit history, new credit demanded, and the type of credit in use.

  Whether a credit score achieved is good or not, will depend on the internal policy of lending companies profile of their applicants, and risk taking capacity of the lending company. Credit score indicators are safe credit score and risky credit score which are the reflectors of “Good Credit Score” or not “Good Credit Score” Finance companies can rank different scores as good, excellent, poor and so on. e.g. when total score is 1000, the score of 700 can be taken as good, and any score above 800 can be taken as excellent and any score below 300 can be taken as poor, whereas for another company e.g. when total score is 800 the score of 500 can be good, score of 600 can be excellent, and score of 300 can be poor. However the higher score, the lesser is the risk of the borrower going overdue in further.
Finally the credit score attributes namely credit utilisation record and payment history should be carefully observed by analysing credit utilisation by the borrower, and by studying the information about whether borrower has involved ever default on his payment.

Thus the application of credit score system can prove an effective tool of appraisal and can help finance companies to make fast disbursement of loan, and improve operational efficiency.

**CREDIT SCORE SYSTEM**

Credit score system (to be adopted)

**Chart -7.1**
Credit score attributes: Risk identification process (to be adopted)
Chart -7.2

12) Recovery process streamlining:

In view of the findings related to serious problems of recovery, auto loan defaults, and then the NPA which is totally harmful to the growth of finance companies, the researcher has suggested the effective recovery process.

- **Fixation of EMI with due allowance for inflation**: EMIs are fixed on the basis of the rate of interest prevailing at the time of availing the auto loan and the agreed repayment period based on the debt servicing capacity of applicant. However, any increase in EMI due to change in interest rate, compels the borrower to pay more than what was originally committed based on his repaying capacity. Under such condition if borrower is unable to pay EMI he will be categorised in defaulters list and if EMIs are not serviced for three months the auto loan becomes NPA, on this
ground it is first suggested to calculate EMI with due allowance for inflation too.

- **Classify defaulters:** To recover money from defaulters, first it is necessary to understand the defaulters as whether they are genuine defaulters or wilful defaulters and classify them accordingly.
  - Genuine defaulter’s intention to pay is intact but ability to pay is affected due to conditions beyond his control and therefore such defaulters should be handled gently so that their defaulted EMI can be translate into recovery loan.
  - Wilful defaulters deliberately fail to pay the EMI and put auto finance companies into financial trouble therefore finance companies are advised to follow a very systematic, strict and firm approach for recovery of from such defaulters.

- **Deploy of recovery agents:** In order to recover delayed EMIs from auto loan borrowers, finance companies can deploy recovery agents referring to guidelines set by RBI.
  - “Recovery Agents” includes agencies engaged by finance company and their employees
  - Finance company should have due diligence process and that should have conformed to the guidelines of RBI on outsourcing of financial services.
  - Details of recovery agency engaged by finance companies should be informed to the borrowers.
  - Finance companies should have a mechanism to know borrowers grievances regarding recovery process and that should be furnished to the borrower.

13) **Enhancing quality of services assured to auto loan borrowers:**

With regard to the dissatisfaction of borrowers on the part of auto loan services offered by finance companies it is suggested that-

- The finance companies should find out the ‘GAP’ i.e. difference between the expectations of borrowers about auto loan services and the perceived
services that being offered by finance companies, and then analyse and confirm the whether the GAP is:

a. Knowledge GAP, raised due to the difference between borrowers expectations about auto loan finance services, and the finance companies perceptions towards these expectations.

b. Standard GAP, arise due to the difference between finance companies perceptions about auto loan borrowers expectations, and standard set by finance companies towards borrowers expectations.

c. Delivery GAP, caused due to the auto loan services that not being provided as per standard set for quality services to be offered.

d. Communication GAP, caused due to the auto loan finance services that being offered by finance companies, not found as per their promotional programmes communicated to the auto loan borrowers.

➢ In view of the afore stated type of GAP, the auto finance companies are further suggested to;

  a) Conduct interaction with borrowers on regular basis ,
  b) Focus on assuring quality of services to borrowers,
  c) Set practical standards for the services to be offered,
  d) Avoid miss-communication, and over promising in advertising.

CONCLUSIONS:

Though the present research has focused on the study of problems and prospects of automobile finance, still their exists and remains some of the aspects untouched leaving scope for further research which may come-up in any of the following forms or like:

1. The study of NPA and its impact on financial strength of automobile finance segment of private sector banks.

2. A study of professionalism in the administration of automobile finance companies functioning in the rural areas.

3. The study of auto-loan finance problems of commercial heavy vehicles.