



CURRENT TRENDS IN RURAL MARKETS OF PASSENGER CAR SEGMENT OF GUJARAT

Management

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ABSTRACT

This is a study conducted to understand the current trends of Gujarat's Rural Passenger car market. A sample size of 200 respondents who owned cars was chosen. Sample size of 20 respondents for 2 villages each from 5 regions of Gujarat State was selected. It was done mainly to understand the present trends in the Passenger car segment of rural customers with regards to their buying behavior, auto loan requirements vis a vis rural market potential along with the buying capacity, likes and dislikes.

KEYWORDS

INTRODUCTION

Gujarat as a State is vastly diversified demographically, socially, culturally and economically. It is 10th largest state in terms of population. State is divided into 5 regions which include 33 Districts, 249 Talukas and 18539 Villages as per the 2011 census. In 2017 Gujarat's Population was 671 Lacs which approximately is 5% of total Indian Population. 58% of this Gujarat Population is rural and remaining 42% Population is urban. This rural – urban divide of Gujarat with such diversities makes it an automatic choice for study of car sales and car finance since rural population is expected to upgrade their living standard by purchasing a car. (cars)

Need for the study

Gujarat shares just 5% of India's population, 6% of its land mass and accounts for 7.6% of its GDP. The state's annual GDP growth from 2011-12 to 2016-17 at current prices averaged above 13%, a faster rate than India as a whole. Gujarat as a state has gone through a sea change since 2000 whereby the state's infrastructure has grown manifold with 4 lane of state highways, arrival of express ways on one hand and demographic changes on other hand where due to rapid industrial and infrastructure growth purchasing power of the rural masses going up resulting in to change in their lifestyles. People now have willpower to spend on lifestyle products like cars which is ably backed by their purchasing power and again they have got the suitable infrastructure to support these changes. With these facts at hand rural Gujarat market is one of the fastest upcoming markets for both the car manufacturers and car loan financiers. It becomes imperative to study the behavior and pattern of Gujarat rural customer, their concerns, requirements, expectations and aspirations which in turn will not only assist car manufacturers in locating new markets but also the financiers including banks and NBFCs which are facing difficult times in rural market penetration despite of rapid growth seen in banking sector in past one decade.

Problem Statement

Growth is the way of life and so it is for any sector of economy be it manufacturers, service providers or financial institutions. In pursuit of this constant growth requirement year on year everyone is under pressure of additional numbers. Car manufacturers are seeking to sell incremental number of cars while Banks / NBFCs are in look out for additional customers who can avail loans from them. In order to achieve the said growth everyone's focus is to keep churning their existing customer base which is more of Urban oriented resulting in to pressure of offering higher discounts or interest rate cuts or waiver of service charges in order to remain relevant in competition. However, despite of all these problems their reluctance in search of new avenues is well known. The reasons are vary and many. Fundamentally organizations lack in rural orientation and thus find it difficult to enter and then manage the business in the far flung areas. Also they are not well conversant with the rural economy and trends and therefore they keep themselves away from these potential areas.

Scope of the Study

Study was conducted in 10 villages of Gujarat with 20 respondents from each village. 2 villages were selected from each of the 5 regions of the state. 200 respondents who owned the cars were interviewed to

understand the recent trends in their lifestyle, incomes and their expectations related to car and car finance and the gap in the requirements and availability of car companies and finance institutions to them on one hand and the need for the car companies and financial organizations to move towards rural markets in relativity of their requirement of constant growth.

OBJECTIVE OF THE STUDY

- To study the behavior and pattern of rural customers of Gujarat in the background of their renewed lifestyle and income for purchase of car and availing car loans.
- To identify the parameters that influence the rural customer's buying behavior of car and their choice of finance options.
- To assist car manufacturers and financial organizations in locating new markets by studying the Gap in the expectations of rural customers from financial organization, Bank / NBFC in availing new car and car loan.

METHODOLOGY

A preliminary study was conducted in form of informal interviews whereby 200 respondents were interviewed on the basis of exhaustive questionnaire which was structured to collect the primary information.

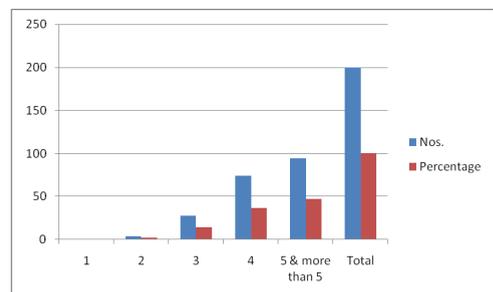
Besides, secondary data was collected from literature review and different other market segments like dealers and financiers.

Inferences from Study

During the study it was observed that

- Out of 200 families, 4 (2%) had 2 members while 28 (14%) had 3 members 74 (37%) families reported 4 members each and 94 (47%) were having 5 or more than 5 members. There was no family having only one member.

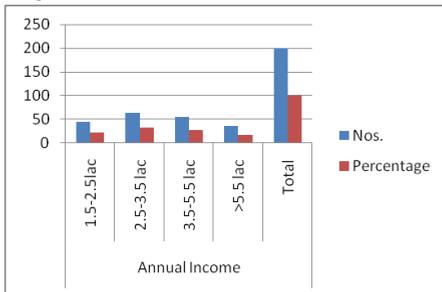
Concluded that in Rural India still the family size are 4 and more which is getting reflected in the study whereby 84% of the families interviewed have 4 plus members which implies that looking to the general family size in rural Gujarat need for car is justified.



- This need for car based on family size was backed by the annual income of the rural population of Gujarat with 44 respondents (22%) falling in the income group of 1.5 to 2.0 lac while 64 respondents (32%) fell in the income group of 2.5 to 3.5 lac. There

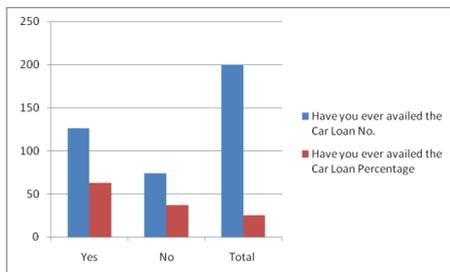
were 56 (28%) people in the income group of 3.5 to 5 lacs while 36 respondents (18%) were in to greater than 5.0 lac income groups in the group of total 200 people surveyed.

Concluded that majority of rural masses are in position of affording down payment for purchasing the car of their choice and are also capable enough to afford the installments of car loan.



- The study reveals that 63% of the respondents had earlier availed the car loan and thus the reply to different aspects of car loans in response to various other questions like preference about the financier, reasons for preference, reasons for not repeating the financier, amount of loan and rate of interest etc are based on their experience.

Concluded that there is a huge chunk of 37% people who have not availed the loan and thus offers a big opportunity for financiers to approach these customers for offering their products including car loan.



It was observed during the study by the research scholar that amongst the factors that mattered most in order of preference for before purchasing a car were as following:

- Family Need – Since 84% of the families had 4 and plus members, family need was one of the major factors considered for buying a car.
- Looks of the car – fascination of good looking car was one of the reasons which attracted rural buyers for making a decision for purchasing a car.
- Easier availability of loan – Rural car buyers were found to be conscious about the availability of funds on hand and at the same time availability of loan for the difference amount before making a decision for buying a car.
- Availability of down payment – Resource availability to purchase a car with the rural buyer impacted his decision for buying a car.
- There were other factors like comparison with friend’s and relatives, preference given by children etc. which were also considered by the customers for purchasing the car.

It was observed during the study by the research scholar that going by the recent trends in the mindsets of the rural car buyer of Gujarat, factors that mattered most in order of preference for choosing a specific car were as following:

- Looks of the car – came foremost asserting the fact that rural car buyer is fussy about the looks of the car.
- Security Features – With the inroads of Media and rural customer’s reach to other forms of social media they have become conscious of the safety features and are one of the important criteria while choosing a particular car.

- Resale Value – Unlike their urban counterparts, rural car buyers are conscious of the resale value that a particular car will generate.
- Budget – Post satisfied with all other factors like looks of the car, security feature and resale value rural customer look towards their budget to acquire the car of their choice.

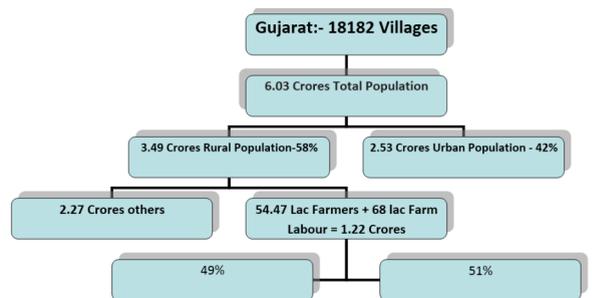
CONCLUSION

As per the above study conducted still 37% of the representative rural population of Gujarat has not availed credit.

Of the 147 million rural households across India, 89 million are farmer households while 51% of these farm households have no access to formal sources of credit.

It is thus concluded from the study that going by the present trends in rural Gujarat where the study was conducted, they have got the requirement to purchase the car and is ably backed by their source of income. Further it is also concluded that due to media inroads the rural population has become quite aware of the modern trends and the same is getting reflected in their preferences for choosing a particular car whereby the looks of the car were foremost followed by safety features and resale value which earlier used to one of the primary factors have now taken the backseat.

Going by these trends it is time for the car manufacturers to understand the requirement of rural population of Gujarat and India and enter in to the rural markets to increase their sales while keeping their margins intact to certain extent which they are not able to do in urban markets off late due to cut throat competition and high costs of infrastructure. This is also an opportunity for the bankers and financiers to move towards rural market to help the unbanked population on one hand and at the same time to increase their area of operation, customer base, operating margins and finally the book size.



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