



# Affordable Vehicle Finance: “Driving Access & Growth in Automotive Industries”

“Unlocking the Power of Collaboration in the Automotive Industry to Deliver  
Affordable Vehicle Finance ”

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# Introduction

Affordable vehicle finance stands as a linchpin in the automotive industry, holding the key to unlocking widespread accessibility and sustained growth. As the automotive landscape evolves, the ability of consumers to access financing options that align with their financial capacities becomes increasingly crucial. Affordable vehicle finance not only expands the market reach to a diverse consumer base but also acts as a catalyst for economic development, driving increased vehicle sales, job creation, and overall industry competitiveness.

The collaborative synergy among various stakeholders within the automotive ecosystem - including manufacturers, dealers, financial institutions, and service providers - is of paramount importance. It forms the bedrock for innovation, market responsiveness, and the creation of holistic solutions that address the complex dynamics of vehicle ownership.

This collaboration is not merely advantageous; it is a critical imperative that ensures the resilience and prosperity of the automotive industry in the face of evolving economic landscapes and consumer expectations. In essence, affordable vehicle finance and collaborative endeavors within the automotive sector are intertwined elements essential for shaping a sustainable, inclusive, and thriving industry.

# Affordable Vehicle Finance

Finance solutions enabling consumers to acquire vehicles with manageable repayment terms, fostering economic and social benefits.

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<b>Low-Interest Rates:</b>	Competitive and reasonable interest rates that reduce the overall cost of borrowing.
<b>Flexible Repayment Terms:</b>	Customizable repayment plans that consider the borrower's income and financial circumstances.
<b>Down Payment Options:</b>	Options for a manageable down payment, allowing buyers to initiate the purchase with a reasonable upfront cost.
<b>Extended Loan Terms:</b>	Longer loan durations to spread out payments, reducing the monthly financial burden.
<b>Credit Accessibility:</b>	Inclusive lending practices that consider a diverse range of credit profiles, making financing available to a broader consumer base.
<b>Incentives and Rebates:</b>	Special programs, incentives, or rebates that further reduce the overall cost of the vehicle or the financing terms.
<b>Government Support:</b>	Supportive government policies or initiatives that promote affordable financing options, such as low-interest rate programs or tax incentives.
<b>Collaboration in the Industry:</b>	Collaborative efforts between financial institutions, manufacturers, dealerships, and other stakeholders to create integrated packages and solutions that enhance affordability.

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# Why Affordable Vehicle Finance Matters

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Affordable vehicle finance has a multifaceted significance in positively impacting the automotive industry, consumers, and economic development.

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## Key Drivers of Affordable Vehicle Finance

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### Market Accessibility

**Diverse Consumer Base:** Affordable finance widens the market, making vehicle ownership accessible to a broader demographic.

**Economic Inclusion:** Ensures that individuals across income levels can participate in the vehicle market.

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### Economic Growth

**Increased Sales:** Affordable finance stimulates vehicle sales, contributing to economic growth and stability.

**Job Creation:** Higher demand for vehicles leads to job creation across the entire industry value chain.

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### Competitiveness

**Market Competitiveness:** Manufacturers and dealers offering affordable financing options gain a competitive edge.

**Brand Loyalty:** Affordability fosters customer loyalty, benefiting both manufacturers and financial institutions.

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### Consumer Empowerment

**Improved Quality of Life:** Affordable vehicle ownership enhances personal and economic mobility.

**Ownership Experience:** Consumers empowered with affordable finance have a positive and fulfilling vehicle ownership experience.

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# Challenges & Barriers



- A high Cost of Capital environment creates a challenge for banks to offer more competitive interest rates.
- Limited availability of vehicle data, the analysis, interpretation and distribution thereof inhibit the risk appetite of the banks and the Automotive Industry as a whole.
- A lack of flexible finance options hampers banks to deliver affordable vehicle finance.
- Limited availability of service and warranty plans increase the probability of payment defaults and results in banks being conservative in their credit approach.
- Vehicle insurance pricing methodology is negatively impacted and increase vehicle affordability accordingly.
- Identifying the origin of vehicles – direct imports - makes it difficult for the banks to soften their credit views.
- Inability of dealers to trade freely amongst themselves has a negative impact on affordable vehicle finance.
- An informal aftermarket in which verified and authenticated services and parts are offered increases the risk of drivability and payment ability.
- Auctions as a disposal channel for banks is critical in mitigating risk and influences banks when considering finance options.
- Limited process automation and the use of Fintech solutions to drive operational risk mitigation and efficiencies.

# How Banks Offer Affordable Vehicle Finance

## Risk Mitigation Strategies

- **Advanced Credit Risk Assessment**  
Utilizing advanced credit scoring models and analysing alternative data sources enable banks to accurately assess credit risk.
- **Collateral Valuation**  
Implementing robust collateral valuation mechanisms and considering loan-to-value ratios mitigate risks associated with financing.
- **Regulatory Compliance**  
Adhering to regulatory requirements and implementing effective risk management practices ensures compliance and stability.

## Innovative Financing Solutions

- Banks address challenges by designing innovative financing solutions, incorporating flexible repayment terms and competitive interest rates.

## Collaboration with Industry Stakeholders

- Collaboration with manufacturers, dealerships, and the rest of the value chain enables banks to create holistic and affordable financing packages.



# Risk Mitigation



## Vehicle Dealer:

**1. Reliability and Reputation:** Understanding the dealer's reputation and reliability is crucial. Reputable dealers are more likely to sell high-quality vehicles, reducing the risk for the bank when financing these assets.

**2. Verification of Information:** The dealer's credibility ensures accurate information regarding the vehicle's history, maintenance, and condition, which is vital for determining the vehicle's value and reliability as collateral.

**3. Relationship with Financial Institutions:** Dealers with established relationships with financial institutions can facilitate smoother transactions, potentially leading to more flexible financing options for the client.

## Client:

**1. Creditworthiness and History:** Understanding the client's creditworthiness and history is essential in determining the risk associated with granting a loan. This assessment informs the interest rate, loan amount, and terms offered by the bank.

**2. Ability to Repay:** Evaluating the client's financial situation, income stability, and ability to repay the loan is crucial in determining the affordability of the vehicle finance.

**3. Risk Assessment:** By knowing the client's financial background, banks can better assess the risk associated with lending, which can affect the interest rates offered.

## Asset (Vehicle):

**1. Valuation and Collateral:** Accurate knowledge of the vehicle's condition, history, market value, and maintenance records is critical. This helps determine its value as collateral for the loan, influencing the terms of the finance offered.

**2. Quality Assurance:** Understanding the vehicle's quality, reliability, and any warranty or guarantee associated with it ensures a higher level of confidence for the bank when financing the asset.

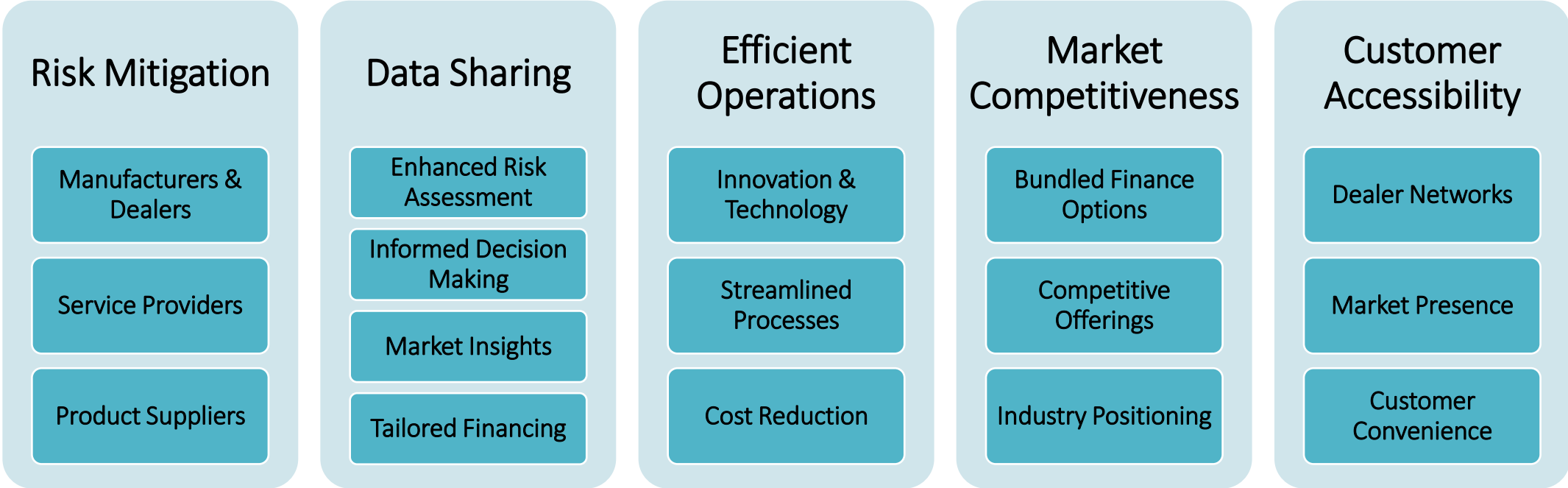
# Importance of an Integrated Value Chain

Banks do not bear the sole responsibility for affordable vehicle finance. Collaborative efforts involving government support, industry associations, and financial literacy initiatives contribute to a sustainable and inclusive financing environment.

The automotive industry is a complex ecosystem and therefore collaborative efforts within this integrated value chain are vital for achieving affordable vehicle finance.

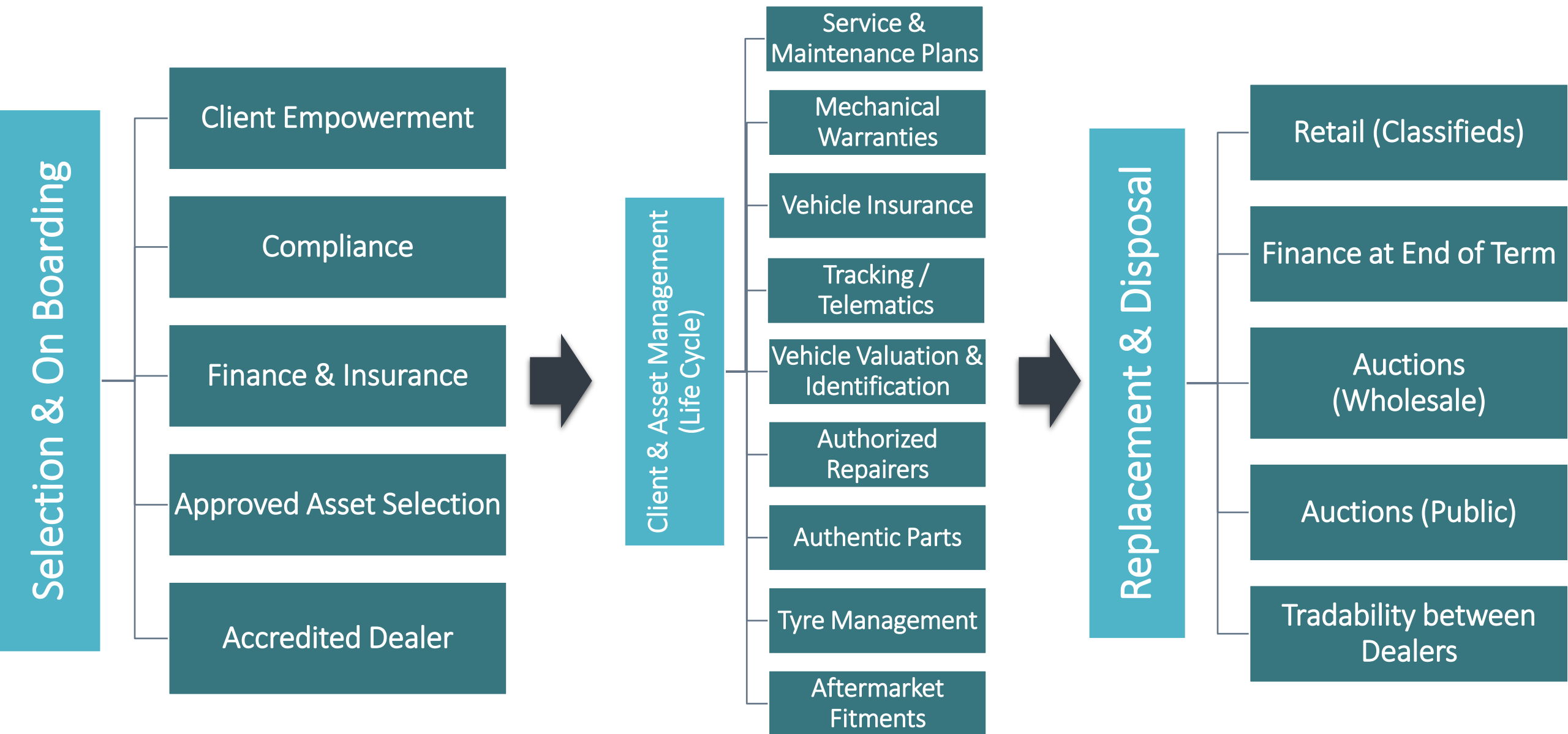
Strengthening the ecosystem enhances the overall health of the industry, fostering growth and stability. Shared responsibilities and insights lead to better risk management and reduced default rates.

Streamlining and integrating operations reduces costs and improves the efficiency of industry processes, creating mutually beneficial results.





# Advanced Data Analytics & Risk Mitigation (Operational, Financial, Reputational, Credit)



**Legislation, Governance, Compliance**

# Conclusion

Affordable vehicle finance stands not merely as a financial transaction but as a critical driver of economic inclusion and industry vitality. It is the key that unlocks the doors to mobility, economic growth, and social empowerment. As we've explored, there are challenges such as high cost of capital and limited data, yet the banks play a crucial role in navigating these challenges.

Banks are not merely lenders; they create solutions and financing options that are not only flexible but also competitive, addressing the unique challenges posed by automotive industries. The collaborative spirit between banks and industry stakeholders is paramount. By joining forces with manufacturers, dealerships, and the value chain banks create comprehensive and affordable financing packages that transcend the limitations of a challenging economic landscape.

Risk mitigation, a critical component in the financing equation, involves advanced credit risk assessment, robust collateral valuation, and unwavering regulatory compliance. These strategies ensure a balanced approach, allowing banks to provide accessible financing without compromising stability.

Crucially, the responsibility for affordable vehicle finance extends beyond banks alone. It requires a collective effort, with governments, industry associations, and other stakeholders actively participating. Financial literacy initiatives, supportive policies, and a conducive regulatory environment contribute to a holistic framework that fosters affordability.

The integrated vehicle industry value chain emerges as the backbone of this endeavour. Data sharing, innovation, and market growth are the dividends of a collaborative ecosystem. An industry where manufacturers, dealerships, insurers, and financial institutions work in tandem creates an environment where affordable vehicle finance becomes not just a possibility but a sustainable reality.

In essence, affordable vehicle finance is the bridge that connects aspirations to actuality, propelling not just vehicles but entire economies forward. It is the testament to the belief that access to mobility is not a luxury but a fundamental right. As we navigate the challenges and embrace collaboration, we pave the road to a future where affordable vehicle finance is not just an option but an integral part of a thriving and inclusive vehicle industry.



THANK YOU