

Indonesia Used Car Financing - Market Share Analysis, Industry Trends & Statistics, Growth Forecasts (2024 - 2029)

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Abstracts

The Indonesia Used Car Financing Market size is estimated at USD 39.99 billion in 2024, and is expected to reach USD 53.02 billion by 2029, growing at a CAGR of 5.80% during the forecast period (2024-2029).

Over the long term, as digital technologies continue to transform the automotive industry, the used car market in Indonesia is poised for remarkable expansion. With the advent of innovative tools and platforms for creating compelling remote buying experiences, Indonesian consumers can now explore a vast range of pre-owned vehicles online from the comfort of their homes. This shift toward digitization is expected to drive significant growth in the used car market, offering consumers greater convenience, choice, and value.

The used car market in the country is expected to grow due to increased value-added services and the availability of finance providers offering credit for used cars. However, the growth may be affected by higher interest rates, which could discourage potential customers from making purchases.

The market growth is being significantly boosted by the emergence of multiple non-banking finance companies that provide customers with low-interest rate options compared to traditional banks. In addition, these companies offer more flexible installment options, making it easier for consumers to manage their finances and fulfill their obligations.

Indonesia Used Car Financing Market Trends

Sport Utility Vehicles are Dominating the Market

SUVs have become more popular among Indonesian used car buyers in recent years. Consumers are always fascinated by looking at the current SUV models, and dealers participate in offering new SUVs for the growing market. The SUV trend in the youth may be the compelling force for the SUV segment among domestic buyers.

In this situation, SUVs with expensive and sporty appearances generally cater to the higher class while offering reasonable comfort.

SUVs offer more fantastic deals to customers who have these concerns. Even for a low budget, a low-cost SUV provides the vision of a compelling and newest vehicle. The SUV sector provides good value for money in the middle-class economy.

The emergence of the sub-compact SUVs also has offered many possibilities to dealers as these models come with both performance and budget. Some of the top-selling SUV models include the Honda BR-V, Suzuki SX4 S-Cross, Daihatsu Terios, Toyota Rush, Chevrolet Trax, and DFSK Glory 580.

According to OLX Autos Indonesia's statistics, the trend of used car sales from MPV to SUV has been observed in recent years. Although MPVs stayed the top choice in the automotive and used car segment til 2019. However, by 2022, SUVs took over the market share, which climbed by 31% from the previous 25%.

During the forecast period, used car sales will shift from cars capable of transporting many passengers, like multi-purpose vehicles (MPV), to sport utility vehicles (SUVs). This shift is attributed to improved road infrastructure, leading consumers to prefer SUVs when traveling to different places.

Full-sized SUVs, such as the Toyota Fortuner and Honda CR-V, can be purchased for much less in the used vehicle market, around USD 0.025 to 0.030 million (Rp 400-500 million). The BMW X-series, Audi Q-series, Mercedes G-series, and Volvo XC-series are among the most popular SUVs in the luxury and premium classes, with the BMW X-series, Audi Q-series, Mercedes G-series, and Volvo XC-series among the most popular.

With the development mentioned above across the country, the demand for used sport utility vehicles is expected to grow in the coming years.

Banks are Expected to Dominate the Market

Banks and financial organizations often charge higher interest rates for used car loans than new ones. This is because used cars are more likely to be damaged, which increases the risk for the lender. As a result, the interest rates for used car loans are typically higher than those for new car loans.

Even though the interest rate for financing a used car may seem high initially, it is essential to consider that the monthly payments can be significantly lower than those for a new car. This is because the cost of secondhand cars is generally lower than that of brand-new vehicles. By opting for a used car loan, one can benefit from owning a car while controlling monthly expenses.

Banks have a strong presence in the used car market due to their well-regulated nature and reliable financing options. The top players in the market include Bank Central Asia (BCA), Bank Mandiri, Bank Rakyat Indonesia (BRI), Bank Negara Indonesia (BNI), CIMB, and Bank Danamon Indonesia.

Most banks in Indonesia provide loans to purchase pre-owned/used vehicles. The terms, conditions, and charges differ from lender to the next. Selected lenders may offer up to 100% financing, while most provide up to 80%.

Typical parameters for a car loan may include the following: up to 70-75% of the used car price as the loan amount, a payment period of up to five years, approval within three to seven days, and an interest rate of 8.5% to 9.5% when using bank financing.

Since the loan amount for used car loans is also determined by the lender's valuation of the used car, the loan amount may be notably lower than the price quoted by the seller. Also, while used car loan terms can be as long as five years, the final term will be determined by the age of the vehicle.

Many private banks in the country are partnering with used car marketplaces to offer auto-financing services by leveraging the platform's used car sales. For instance,

In May 2022, the Indonesian division of used automotive marketplace Carsome signed an agreement with Indonesian Bank Jago Tbk for automotive financing to support Carsome Indonesia's business that focuses on buying and selling used

cars online.

With the development mentioned above across the country, the demand for used cars is expected to grow in the coming years.

Indonesia Used Car Financing Industry Overview

The Indonesian used car financing market is dominated by several key players such as ACC Finance, BFI Finance, Oto Multiartha, MPM Finance, Batavia Prosperindo, Toyota Astra Finance (Toyota and Daihatsu), Dipo Star Finance (Mitsubishi), Bussan Auto Finance (Yamaha), and Suzuki Auto Finance (Suzuki). Banks, captives, and multi-finance companies are the leading lenders for cars, with banks also lending to used car buyers. Fin-tech startups have emerged, creating tools to digitize the banking sector, including online payments, lending, aggregation, and remote banking capabilities. This simplifies the loan process and helps the vehicle finance sector grow. For instance,

In June 2023, Jardine Cycle & Carriage (C&C) and Carro announced a strategic partnership valued at over USD 60 million. The partnership involves Carro acquiring a stake in Jardine's subsidiary, Republic Auto, and Jardine C&C acquiring an equivalent stake in Carro. The partnership aims to control the strengths of both entities, with Jardine C&C being an established player in the automotive industry and Carro being a technology-driven company with multi-platform experience.

In March 2023, Broom, a startup in Indonesia, unveiled a groundbreaking automated asset-backed lending service for used car dealers. This innovative solution is expected to revolutionize the auto-financing industry by streamlining the lending process and providing dealers greater access to funding for their business needs. With Broom's cutting-edge technology, dealers can now get quick and hassle-free loans at competitive rates, enabling them to grow their businesses with ease.

Additional Benefits:

The market estimate (ME) sheet in Excel format

3 months of analyst support

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