

Indonesia Auto Finance Market Set for 4.9% Growth by 2029 with 74% Share in Vehicle Ownership Financing

Indonesia's auto finance market is set to grow, with 74% of financing focused on vehicle ownership, driven by a resilient economy and 4.9% annual growth.

JAKARTA, DKI JAKARTA, INDONESIA, August 27, 2024 /EINPresswire.com/ -- The Indonesia vehicle finance market represents a significant growth opportunity, underpinned by the country's resilient economic performance in 2023. Indonesia's GDP grew by 5% in 2023, a slight decrease from the 5.3% recorded in 2022, yet still an improvement over the 3.7%

Indonesia Auto Finance
Market 2019 – 2029:

74% Growth in Vehicle Ownership
Financing

1.79M Units

Passenger cars and Commercial
Vehicle Production (2022)

Major Players

AMAGE MARKET

Indonesia's auto finance market continues to grow, driven by robust economic performance and a high demand for vehicle ownership financing.

growth in 2021. Looking forward, the World Bank anticipates a modest deceleration in GDP growth, with projections averaging 4.9% annually from 2024 to 2026. Additionally, the nation's inflation rate decreased to 3.7% in 2023, down from 4.1% in 2022, the highest level in the past



Despite challenges, Indonesia's auto finance market thrives with a 74% dominance in vehicle ownership financing, driven by robust economic growth and rising consumer confidence."

Omkar Manjrekar

five years. According to BPS Statistics Indonesia, the GDP contribution from transportation and communication expenditures surged by 14%, driven by escalating demand for transportation services and infrastructure enhancements.

Economic Resilience and Growth in Indonesia Auto Finance Market:

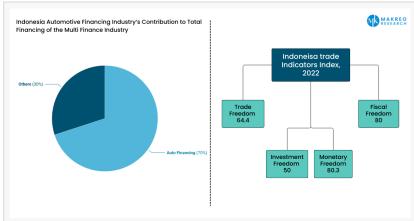
Indonesia's robust economic growth and youthful population have made it a key market for auto finance in Southeast Asia. In 2023, Hyundai Capital Services Inc., in partnership with Shinhan Bank and Sinar Mas Group,

entered the expanding Indonesia auto finance market. This growth has enhanced consumer confidence and purchasing power, boosting interest in vehicle purchases through auto financing.

Despite challenges like limited financial services access, the stability and growth of the Indonesian economy present significant opportunities for larger companies in the Indonesia auto finance market.

Dominance of Motor Vehicle Ownership Financing in Indonesia Financial Landscape:

In Indonesia, motor vehicle ownership financing represents a significant portion of the financing industry, accounting for 74% of the industry's total net financing receivables. This dominance highlights the crucial role of financing firms in enabling car purchases across the country. Banks currently lead the Indonesia car finance market, issuing over half of all



Indonesia Automotive Financing Industry's Contribution to Total Multi-Finance Sector Financing, Highlighting Its Dominance and Growth Potential.



Makreo Research: Global Market Research Company

auto loans, primarily due to their high credibility and comparatively lower interest rates. In 2023, banks approved 57% of the total credit disbursed for auto financing, underscoring their significant influence in the sector.

Key Business Highlights of Major Players:

- In December 2022, Toyota launched Tomi Online Services (TOS), a video call service feature that can be accessed by customers through the Flex by Taff application.
- PT. BFI Finance, in 2023, the Group's total income reached IDR 6,065 billion, showing a significant increase of 18.48% compared to the previous year.
- In May 2024, JACCS MPM Finance received ISO certification, marking a significant milestone in its commitment to quality management and operational excellence.
- In 2024, PT Suzuki Finance Indonesia (SUFI) was affirmed a rating of "idA-" by Pefindo. This rating reflects SUFI's strong capitalization and financial flexibility.
- PT Suzuki Finance Indonesia invested in enhancing its digital platforms, including the SUFI Smart app, which provided customers with easier access to financing options, payment tracking, and promotional updates.
- In 2024, Dipo Star Finance completed a major digital transformation initiative by migrating its mission-critical applications to the Google Cloud Platform (GCP).

Challenges Facing Indonesia Auto Finance Market:

The Indonesia auto finance market faces significant obstacles that hinder its growth and efficiency. High interest rates and stringent lending criteria restrict access to vehicle loans for many individuals. Low financial literacy and limited awareness of financing options further

constrain market expansion. Regulatory uncertainties and bureaucratic hurdles complicate operations for financial institutions. Additionally, economic volatility impacts consumer purchasing power and loan confidence. These factors collectively create a challenging environment for both lenders and borrowers in the Indonesia auto finance market.

Growth Prospects in Indonesia Auto Finance Market:

The Indonesia auto finance market holds significant promise despite existing challenges. With a rapidly growing population, especially those under 30, there is a substantial consumer base for automotive purchases. Although new vehicle sales are projected to decline by 900,000 units in 2024 due to high policy interest rates (6.25%) and increased financing costs, the market continues to experience revenue growth. Rapid urbanization, with a 2.4% annual increase in urban population, further fuels vehicle demand. This trend offers auto finance companies opportunities to develop financing solutions tailored to urban consumers. The adoption of advanced technologies and fintech platforms like Broom and Cermati is enhancing efficiency and customer experiences in the Indonesia auto finance market.

Scope of Indonesia Auto Finance Market:

Makreo Research has published an in-depth analysis titled "<u>Indonesia Auto Finance Market Size and Forecast (2019-2029)</u>: Analysis by Vehicle Ownership, Type of Vehicle, Lender Type, Geography, Credit Interest, and Mode of Finance," offering a thorough examination of Indonesia's auto finance market. The report provides a comprehensive overview, including an analysis of trade impacts, import and export dynamics, and the various demand and supply factors influencing the market. It evaluates the market's historical and current performance, highlighting trends in interest rates, popular financing options, and regional preferences for auto financing.

Period of Study:-

- 2019 2023: Past and Present Scenario
- 2023: Base year of study
- 2024 2029: Future Outlook of the Industry

Key Areas Discussed in the Report:-

- Vehicle Ownership: New Car, Used Car, Other Finance
- Type of Vehicle: Passenger Cars, Commercial Cars
- Type of Lender: Banks, NBFCs, Captives
- Regions: Jabodetabek, Yogyakarta, Surabaya, North Sumatra, Other Regions
- Credit Interest: State, Regional, Government, Price and Age Group
- Mode of Finance: Cash, Credit

Companies Covered:-

- PTA Toyota Astra Financial Services
- PT BFI Finance
- JACCS MPM Finance

- PT Suzuki Finance
- Dipo Star Finance
- OTO Multiartha
- Mandiri Tunas Finance
- BCA Finance
- Radana Bhaskara Finance
- PT Adira Dinamika Multi Finance
- PT Indomobil Multi Jasa Tbk
- PT KDB Tifa Finance Tbk
- PT Batavia Prosperindo Trans Tbk

Note:

Similar Related Research Study: Explore the <u>Philippines Auto Finance Market Size and Forecast</u> (2019-2029) to gain insights into regional trends and financing dynamics in the Filipino region.

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