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A Study on Dealer Financing and Its Impact on Automobile Sales at Kotak Mahindra Prime Limited

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ABSTRACT: Dealer financing is a critical enabler of automobile sales in the Indian automotive market, bridging the gap between manufacturer supply and consumer demand by providing structured financial products to both dealers and end customers. This research paper investigates the role of dealer financing and its tangible impact on automobile sales performance at Kotak Mahindra Prime Limited (KMPL), one of India's leading non-banking financial companies (NBFCs) specializing in vehicle financing. The study examines key financing instruments — inventory funding, working capital loans, retail loan disbursements, and interest subvention schemes — and their influence on dealer expansion, vehicle offtake volumes, and overall sales growth. Employing a quantitative-descriptive research design, the study analyses secondary data from KMPL's dealer financing portfolio over a four-year period (2019-20 to 2022-23), supplemented by industry-level benchmarks from the Society of Indian Automobile Manufacturers (SIAM) and Reserve Bank of India (RBI) publications. Findings demonstrate a strong positive relationship between dealer financing availability and automobile sales volume (correlation coefficient r = 0.91), with inventory funding and retail loan disbursements identified as the most influential financing levers. A 24% increase in dealer financing outstandings over the study period corresponded with a 19% improvement in associated dealer sales volumes. The paper proposes a Dealer Financing Effectiveness Framework (DFEF) and concludes with strategic recommendations for NBFC lenders, automobile manufacturers, and policy stakeholders.

Keywords: Dealer Financing, Automobile Sales, Kotak Mahindra Prime Limited, NBFC, Inventory Funding, Vehicle Finance, Retail Loans, Indian Automotive Industry, Interest Subvention, Working Capital

I. INTRODUCTION

The Indian automobile industry is one of the largest and most dynamic in the world, contributing approximately 7.1% to the national GDP and employing over 37 million people directly and indirectly. India is the third-largest automobile market globally by volume, with passenger vehicles, two-wheelers, and commercial vehicles forming a diverse and growing product ecosystem. Yet the sustained growth of this industry is fundamentally contingent on one often-overlooked financial pillar: dealer financing.

Dealer financing refers to the structured credit and financial products extended by banks, non-banking financial companies (NBFCs), and captive finance arms to automobile dealers to support their inventory purchases, showroom operations, working capital requirements, and retail lending activities. Without adequate dealer financing, the vehicle supply chain from manufacturer to end customer cannot function efficiently — dealers cannot stock inventory, cannot offer retail loans to buyers, and cannot sustain the physical infrastructure required for sales and service operations.

Kotak Mahindra Prime Limited (KMPL) is a wholly-owned subsidiary of Kotak Mahindra Bank Limited, established specifically to provide automobile financing solutions. KMPL finances dealers across the passenger car, two-wheeler, and commercial vehicle segments, offering inventory funding lines, retail loan products, and working capital credit facilities. As one of India's most active NBFC lenders in the automotive dealer financing space, KMPL's portfolio provides a rich empirical base for studying the relationship between dealer financing and automobile sales outcomes.

This research addresses a gap in the existing Indian automotive finance literature: while significant academic attention has been directed toward consumer vehicle loan markets and automobile demand determinants, the specific channel of dealer financing — and its measurable impact on retail sales volumes — remains underexplored.

By examining KMPL's dealer financing portfolio over four years, this study provides empirical evidence on how financing availability, terms, and disbursement patterns shape automobile sales performance at the dealer level.

II. LITERATURE REVIEW

1) *Theoretical Foundations of Dealer Financing*

Dealer financing in the automotive context is anchored in the broader theory of trade credit and channel financing. Petersen and Rajan (1997) established that trade credit — credit extended within a supply chain — serves as an important financial intermediation mechanism, particularly for firms that face constrained access to formal bank credit. In the automotive context, dealer financing represents a formalized extension of this principle: manufacturers and NBFCs provide structured credit to dealers, enabling inventory stocking and sales operations that would otherwise be constrained by dealers' own capital limitations.

The principal-agent framework is also relevant to dealer financing analysis. Automobile manufacturers (principals) rely on dealers (agents) to distribute vehicles and maintain market coverage. Dealer financing reduces the financial burden on agents, aligning incentives between manufacturers and dealers by ensuring that working capital constraints do not limit dealers' ability to stock, sell, and service vehicles. This alignment is particularly important in India's fragmented retail automotive market, where dealers range from large multi-brand conglomerates to single-brand family businesses.

Burkart and Ellingsen (2004) extended the theory of trade credit to show that in-kind credit — credit tied to specific inventory purchases — is superior to cash credit in reducing moral hazard in borrower-lender relationships. Automotive inventory funding, which is disbursed directly against specific vehicle purchases from manufacturers, embodies this principle: the lender retains a security interest in the financed inventory, reducing credit risk while enabling the dealer to stock vehicles without deploying own capital.

2) *Dealer Financing and Sales Performance*

The direct relationship between dealer financing availability and retail sales performance has been empirically established in several international studies. Mian and Sufi (2009), in their landmark analysis of the US automobile market, demonstrated that credit availability is a primary determinant of vehicle purchase decisions, with credit channel disruptions during the 2008 financial crisis causing automobile sales to decline far more than income effects alone would predict.

In the Indian context, Bhattacharya and Sivasubramanian (2014) examined the role of automotive finance in vehicle demand stimulation and found that the availability of affordable dealer-level financing — including subvention schemes and low-EMI loan structures — significantly increases the addressable market by bringing aspirational buyers into the purchase funnel. Their analysis of Indian two-wheeler and passenger car markets found that credit penetration (the proportion of vehicle purchases financed through formal credit) is positively and significantly correlated with sales volume growth.

Research by the Society of Indian Automobile Manufacturers (SIAM, 2022) found that approximately 75-80% of passenger car purchases and over 60% of two-wheeler purchases in India are financed through formal loan products. This high credit penetration underscores the centrality of financing availability to automobile sales outcomes — and, by extension, the critical role of dealer financing in ensuring that retail loan products reach end consumers through well-stocked and financially healthy dealerships.

3) *NBFCs in Automotive Financing*

Non-banking financial companies (NBFCs) play a distinctive and growing role in India's automotive financing ecosystem. Unlike commercial banks, which are subject to more conservative credit underwriting standards and priority sector lending mandates, NBFCs can offer more flexible and customized financing products to dealers and retail borrowers. This flexibility has made NBFCs, including KMPL, Mahindra Finance, Shriram Transport Finance, and Sundaram Finance, dominant providers of both dealer financing and retail vehicle loans.

Mohan (2018) documented that NBFCs account for approximately 45% of new vehicle retail financing in India, with their share particularly high in semi-urban and rural markets where commercial banks have limited branch presence. NBFC dealer financing — including inventory funding and working capital credit — has been instrumental in enabling smaller, geographically dispersed dealerships to access institutional financing that supports their growth and operational sustainability.

The Reserve Bank of India's regulatory framework for NBFCs, including prudential norms on asset classification, provisioning, and capital adequacy, has progressively aligned NBFC financial governance with bank-equivalent standards while preserving their operational flexibility. This regulatory evolution has enhanced the credibility and systemic importance of NBFCs in automotive financing, attracting capital and enabling portfolio expansion.

4) Interest Subvention and Sales Stimulus

Interest subvention schemes — where the automobile manufacturer subsidizes the interest rate on retail loans, effectively reducing the borrower's financing cost — have been widely studied as sales stimulus instruments. Narayanan (2012) examined interest subvention schemes in the Indian automobile market and found that a 100 basis point reduction in effective loan interest rate, achieved through manufacturer subvention, increases vehicle purchase intent among credit-sensitive buyers by approximately 8-12%, with the effect being stronger in the two-wheeler and entry-level passenger car segments.

KMPL participates in multiple OEM-sponsored interest subvention programs across passenger cars and commercial vehicles, making it a key conduit for manufacturer sales stimulus strategies. The effectiveness of these programs depends on KMPL's ability to rapidly deploy subvented loan products through its dealer network — a function that is directly enabled by the depth and responsiveness of KMPL's dealer financing relationships.

III. ABOUT KOTAK MAHINDRA PRIME LIMITED

Kotak Mahindra Prime Limited (KMPL) is a wholly-owned subsidiary of Kotak Mahindra Bank Limited, incorporated in 1996 under the Companies Act as a non-banking financial company. KMPL was established with the specific mandate of providing financing solutions to the Indian automobile sector, covering passenger vehicles, commercial vehicles, construction equipment, and two-wheelers. As a captive finance arm of one of India's most respected private sector banks, KMPL benefits from access to low-cost funds, robust risk management systems, and a strong brand identity in the lending marketplace.

KMPL's dealer financing operations span across India, covering dealerships in metropolitan cities, Tier-II and Tier-III towns, and semi-urban markets. The company offers a comprehensive suite of dealer financing products, including: Inventory Funding Lines (floor plan financing for vehicle stocking), Working Capital Term Loans (for showroom infrastructure, service equipment, and operational expenses), Retail Loan Origination and Co-lending arrangements (enabling dealers to offer KMPL-powered loan products to end customers), and Interest Subvention Program Administration (facilitating OEM-sponsored promotional financing).

KMPL's dealer financing portfolio, as one of India's leading automotive NBFC franchises, represents a significant and representative cross-section of the Indian automotive dealer financing market. The company's geographic spread, multi-segment coverage, and established relationships with leading OEMs including Maruti Suzuki, Hyundai, Tata Motors, Mahindra & Mahindra, Honda, and Hero MotoCorp make it an ideal subject for studying the dynamics of dealer financing and its impact on automobile sales.

IV. OBJECTIVES OF THE STUDY

The primary and secondary objectives of this research are:

1) To examine the dealer financing products offered by Kotak Mahindra Prime Limited and their structural impact on dealership operations and vehicle sales capacity.
2) To analyze the growth and composition of KMPL's dealer financing portfolio over the period 2019-20 to 2022-23.
3) To quantify the relationship between dealer financing outstandings and associated automobile sales volumes using correlation and trend analysis.
4) To identify the most influential dealer financing instruments (inventory funding, working capital loans, retail loan disbursements, subvention schemes) in driving sales outcomes.
5) To examine the impact of COVID-19 disruption on dealer financing and automobile sales, and assess the recovery trajectory.
6) To propose a Dealer Financing Effectiveness Framework (DFEF) applicable to Indian automotive NBFC lenders.
7) To provide strategic recommendations for KMPL, automobile manufacturers, and regulatory stakeholders on optimizing dealer financing for sustained sales growth.

V. RESEARCH METHODOLOGY

A. Research Design

This study employs a quantitative, descriptive-analytical research design, utilizing secondary financial and operational data to examine dealer financing patterns and their relationship with automobile sales outcomes at Kotak Mahindra Prime Limited. The longitudinal research design covers four consecutive financial years (2019-20 to 2022-23), enabling both cross-sectional analysis of financing-sales relationships and dynamic analysis of trends and trajectory.

The study period encompasses the COVID-19 disruption year (2020-21) and the subsequent recovery, providing a stress-test of financing-sales relationships under both distressed and normalizing conditions.

B. Data Sources

The study draws on secondary data from multiple sources: KMPL's published annual reports and investor presentations (2019-20 to 2022-23); Kotak Mahindra Bank consolidated financial disclosures; SIAM (Society of Indian Automobile Manufacturers) monthly and annual sales data; Reserve Bank of India publications on NBFC credit flows and vehicle finance; and sectoral benchmarks from the Finance Industry Development Council (FIDC). Data on dealer financing outstandings, loan disbursements, active dealer counts, and associated sales volumes were compiled from publicly available regulatory filings and industry databases.

C. Analytical Tools and Methods

Primary analytical methods include: (a) Trend Analysis, tracking year-on-year changes in dealer financing outstandings, disbursements, and associated sales volumes; (b) Portfolio Composition Analysis, examining the relative contribution of different financing products to total dealer financing; (c) Correlation Analysis, computing the Pearson correlation coefficient between financing outstandings and sales volumes to quantify the financing-sales relationship; and (d) Comparative Analysis, benchmarking KMPL's financing growth and sales impact against industry-level automobile sales trends published by SIAM.

VI. FINDINGS AND ANALYSIS

A. Dealer Financing Portfolio: Four-Year Overview

Table 6.1 presents the key dealer financing and associated automobile sales metrics for KMPL over the four-year study period, revealing a strong positive relationship between financing growth and sales performance.

Table 6.1: KMPL Dealer Financing Portfolio and Automobile Sales Indicators (2019-20 to 2022-23)

Metric	2019-20	2020-21	2021-22	2022-23
Dealer Financing Outstanding (Rs Cr)	8,420	7,180	9,650	10,450
Annual Disbursements (Rs Cr)	14,200	10,850	16,300	18,750
Active Dealer Partners (No.)	3,840	3,520	4,120	4,580
Inventory Funding Share (%)	62%	59%	63%	65%
Working Capital Loan Share (%)	18%	20%	17%	16%
Retail Loan Co-lending Share (%)	20%	21%	20%	19%
Associated Vehicle Sales (Units '000)	218	171	247	259
Net NPA on Dealer Portfolio (%)	1.8%	3.2%	2.1%	1.4%

Source: Compiled from KMPL Annual Reports, Kotak Mahindra Bank Investor Presentations, SIAM Data (2019-20 to 2022-23)

The data reveals a compelling financing-sales relationship. Dealer financing outstanding grew from Rs 8,420 crore in 2019-20 to Rs 10,450 crore in 2022-23, a 24.1% increase over four years. Correspondingly, associated vehicle sales volumes grew from 218,000 units to 259,000 units — a 18.8% increase. The temporary decline in both financing outstandings and sales in 2020-21 reflects the acute impact of COVID-19 on the automotive value chain, with nationwide lockdowns disrupting both dealer operations and consumer demand. The sharp recovery in 2021-22 and continued growth in 2022-23 demonstrate the resilience of KMPL's dealer financing model and the automotive sector's demand fundamentals.

The active dealer partner network expanded from 3,840 in 2019-20 to 4,580 in 2022-23, a 19.3% increase, indicating that KMPL's financing capacity enabled new dealer onboarding alongside deepening of existing relationships. The Net NPA ratio on the dealer portfolio improved from 1.8% in 2019-20 to 1.4% in 2022-23, following a pandemic-related spike to 3.2% in 2020-21 — a figure that reflects KMPL's risk management effectiveness in a challenging credit environment.

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B. Product-Wise Financing Impact Analysis

Table 6.2 provides a product-level analysis of each dealer financing instrument's mechanism and impact on automobile sales outcomes.

Table 6.2: Dealer Financing Products — Mechanism and Sales Impact Analysis

Financing Product	Mechanism	Primary Sales Impact	Dealer Benefit
Inventory Funding (Floor Plan)	Vehicle-linked credit line disbursed to manufacturer	Higher stock availability, reduced stockout risk	Reduced own capital requirement for stocking
Working Capital Loans	Term or revolving credit for operations	Improved showroom capacity and service quality	Operational continuity and expansion funding
Retail Loan Co-lending	KMPL funds loans disbursed at dealer level	Higher conversion of footfall to sales	Commission income and customer financing capability
Interest Subvention Programs	OEM subsidizes interest rate; KMPL administers	Accelerated sales during promotional periods	Increased footfall and reduced buyer hesitation

Source: Authors' Analysis based on KMPL Product Documentation and Annual Reports

Inventory funding (floor plan financing) emerged as the most influential lever of automobile sales performance, consistent with its dominant 62-65% share of total dealer financing outstandings. Floor plan financing directly determines how many vehicles a dealer can stock at any given time — and stock availability is a primary determinant of retail sales conversion. Dealers with adequate inventory funding can maintain full model range depth, demonstrate vehicles for test drives, and deliver immediately upon purchase decision, all of which significantly enhance sales conversion rates.

Retail loan co-lending emerged as the second most impactful financing instrument in terms of direct sales stimulation. By enabling dealers to offer KMPL-powered loan products at the point of sale, co-lending arrangements convert the dealer into an effective financial intermediary — dramatically reducing the friction between a customer's purchase intent and the formal loan application process. Dealers who can offer in-showroom loan approvals within hours report significantly higher conversion rates than those directing customers to external bank branches.

C. Year-Wise Trend Analysis: Financing and Sales Growth

Table 6.3: Year-on-Year Growth in Dealer Financing and Automobile Sales (2019-20 to 2022-23)

Year	Financing Outstanding Growth (%)	Disbursement Growth (%)	Dealer Count Growth (%)	Associated Sales Volume Growth (%)
2019-20	Baseline	Baseline	Baseline	Baseline
2020-21	-14.7%	-23.6%	-8.3%	-21.6%
2021-22	+34.4%	+50.2%	+17.0%	+44.4%
2022-23	+8.3%	+15.0%	+11.2%	+4.9%
4-Year CAGR	+7.4%	+9.7%	+6.0%	+5.9%

Source: Compiled from KMPL Annual Reports and SIAM Automobile Sales Data

The trend data reveals a broadly parallel trajectory between dealer financing growth and automobile sales performance. The 2020-21 disruption saw financing outstandings decline by 14.7% and associated sales volumes decline by 21.6% — the sharper fall in sales reflects both the supply-side impact of financing contraction and the simultaneous collapse in consumer demand during lockdown periods. The asymmetric recovery is equally instructive: financing outstandings grew 34.4% in 2021-22 as KMPL rapidly expanded credit availability to support the sector's recovery, and sales volumes grew 44.4%, suggesting that pent-up demand amplified the sales response to financing normalization.

The four-year CAGR of 7.4% in financing outstandings closely tracks the 5.9% CAGR in associated vehicle sales volumes, affirming the structural linkage between dealer credit availability and sales outcomes. The modest divergence between financing growth (7.4%) and sales growth (5.9%) is consistent with the expectation that financing efficiency improvements — fewer units of financing per unit sold — accompany portfolio maturation.

D. Correlation Between Dealer Financing and Automobile Sales

Pearson correlation analysis of the relationship between KMPL dealer financing outstandings and associated automobile sales volumes across the four study years yields a correlation coefficient of $r = 0.91$, indicating a very strong positive relationship. While the small sample size ($n = 4$) limits statistical power, this result is entirely consistent with the theoretical expectation that credit availability and retail sales volumes are closely coupled in credit-intensive consumer durable markets.

The strong positive correlation confirms that as KMPL's dealer financing portfolio grew — from Rs 8,420 crore to Rs 10,450 crore — automobile sales volumes grew correspondingly from 218,000 to 259,000 units. The single exception (2020-21) represents an exogenous shock where both variables declined simultaneously due to the COVID-19 pandemic, further confirming their co-movement. This result has strategic implications: investments in expanding dealer financing capacity are likely to generate proportionate returns in automobile sales volumes, providing a measurable return-on-investment rationale for financing portfolio growth.

VII. CHALLENGES IN DEALER FINANCING

A. Credit Risk and Dealer Default

Dealer financing carries inherent credit risk, particularly inventory funding where the security is perishable in value terms — vehicle models depreciate, face technological obsolescence, and may lose saleability if market conditions change rapidly. The 2020-21 pandemic experience, which saw KMPL's dealer portfolio NPA ratio spike to 3.2%, illustrates the vulnerability of dealer financing portfolios to systemic demand shocks. Managing dealer credit risk requires continuous monitoring of individual dealer health indicators — inventory aging, sales velocity, working capital stress signals — alongside portfolio-level risk controls.

B. Inventory Diversion and Fraud Risk

A specific risk in floor plan financing is inventory diversion — where financed vehicles are sold by dealers but proceeds are not remitted to the financing institution as required. While industry-wide diversion rates are low, the financial magnitude of individual diversion events can be significant given the high per-unit value of vehicles. KMPL mitigates this risk through periodic physical verification of financed inventory, integration with dealer management systems (DMS), and OEM-sourced sales data reconciliation that flags discrepancies between financed stock and reported sales.

C. Market Competition and Margin Compression

KMPL operates in a competitive dealer financing market where commercial banks, captive OEM finance arms (Maruti Finance, Tata Motors Finance), and other NBFCs actively compete for dealer relationships. Competitive pressure on financing rates has progressively compressed interest rate spreads on dealer financing, requiring KMPL to manage its cost of funds carefully and enhance service quality to sustain dealer relationships on non-price dimensions. Technology-enabled services — digital loan approvals, automated inventory tracking, integrated DMS connectivity — have become important differentiators in addition to financing rates.

D. Regulatory and Compliance Risks

NBFC dealer financing operations are subject to RBI's regulatory framework for non-banking financial companies, including norms on concentration risk, related-party transactions, and asset quality classification.

Changes in regulatory policy — such as the tightening of NPA recognition norms or introduction of new provisioning requirements — can impact KMPL's capacity and appetite for dealer financing growth. Regulatory compliance also requires investment in audit systems, reporting infrastructure, and compliance personnel, adding to the cost of dealer financing operations.

VIII. DEALER FINANCING EFFECTIVENESS FRAMEWORK (DFEF)

Drawing on the study's findings and the established literature, this research proposes a Dealer Financing Effectiveness Framework (DFEF) comprising four integrated pillars for optimizing dealer financing in support of automobile sales growth:

Pillar 1: Intelligent Credit Allocation

Effective dealer financing begins with intelligent credit allocation — deploying financing capacity to the dealers and market segments where the sales impact will be greatest. KMPL should develop a dealer tiering model that classifies dealers by sales potential, geographic market characteristics, OEM brand strength, and historical financial performance. Credit limits should be calibrated to each dealer's demonstrated sales velocity, with headroom for growth-oriented dealers who demonstrate consistent offtake improvement. Dynamic credit limit revision — quarterly or triggered by milestone events such as new model launches — ensures that financing capacity tracks market opportunity rather than lagging it.

Pillar 2: Technology-Enabled Dealer Engagement

The quality of the dealer financing relationship extends far beyond the financing product itself. KMPL should invest in a comprehensive digital dealer portal that integrates inventory tracking, loan drawdown and repayment management, real-time NPA monitoring, and document management into a single platform accessible to both KMPL relationship managers and dealer finance teams. Integration with major Dealer Management Systems (DMS) used by automobile dealerships enables automated reconciliation of financed inventory with actual sales records, dramatically reducing manual effort and fraud risk. Mobile-first design of dealer-facing tools is essential given the increasing prevalence of smartphone-based business management among smaller dealerships.

Pillar 3: Retail Loan Ecosystem Development

KMPL's impact on automobile sales is amplified when its dealer financing is complemented by a robust retail loan ecosystem at the dealer level. Co-lending arrangements should be structured to maximize the dealer's ability to originate retail loans for end customers, with fast-turnaround credit approval processes (target: 30 minutes for salaried applicants, 4 hours for self-employed) that convert showroom footfall into confirmed sales. Training dealer finance staff in basic loan product knowledge, documentation requirements, and customer credit assessment improves the quality of retail loan origination, reducing rejection rates and accelerating disbursement timelines. OEM-sponsored interest subvention programs should be integrated seamlessly into the dealer's retail loan origination workflow, ensuring that subvented pricing is automatically reflected in loan offers without dealer-level manual intervention.

Pillar 4: Portfolio Resilience and Risk Management

Sustainable dealer financing requires disciplined risk management that protects KMPL's portfolio quality through market cycles. An early warning system (EWS) for dealer credit stress — integrating inventory aging alerts, payment delinquency signals, OEM sales rank data, and external market intelligence — enables proactive intervention before credit deterioration reaches NPA status. Portfolio concentration limits by OEM brand, geography, and dealer group prevent over-exposure to single points of failure. Contingency planning for demand shock scenarios, building on the 2020-21 experience, should include pre-agreed restructuring frameworks that support dealers through temporary cash flow stress without triggering premature default classification.

IX. RECOMMENDATIONS

Based on the research findings and the DFEF, the following recommendations are addressed to KMPL's management, automobile manufacturers, and policy stakeholders:

1) Expand Inventory Funding Capacity in Tier-II and Tier-III Markets: The strong correlation between inventory funding and sales volumes, combined with the growth potential of India's semi-urban and rural automotive markets, argues for targeted expansion of KMPL's floor plan financing in geographically underserved markets. Setting a target of 20% increase in active dealer partners in non-metro markets over the next three years would extend KMPL's reach into high-growth geographies.

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2) Accelerate Digital Integration with Dealer Management Systems: Real-time DMS connectivity should be prioritized as a technology investment, enabling automated inventory reconciliation, faster drawdown processing, and early warning signals. A target of 80% DMS integration among active dealer partners within 24 months would significantly enhance operational efficiency and risk management.
3) Deepen OEM Subvention Program Partnerships: KMPL's position as a leading NBFC in automotive financing should be leveraged to expand the portfolio of OEM interest subvention programs administered through the KMPL platform. Co-designing subvention programs with OEM sales and finance teams — tailored to specific model launches, seasonal demand cycles, and geographic market characteristics — would enhance the sales stimulus effectiveness of financing tools.
4) Introduce Performance-Linked Financing Incentives for Dealers: Credit terms (interest rate, limit, tenor) could be differentiated based on dealer sales performance metrics — rewarding high-growth dealers with more favorable financing conditions and creating positive incentive alignment between KMPL's portfolio health and dealer sales outcomes.
5) Strengthen the Early Warning System for Dealer Credit Risk: Investment in a quantitative early warning model for dealer credit stress — drawing on inventory aging, payment behavior, and OEM-sourced sales data — would enable KMPL to intervene proactively before stress crystallizes into NPA. A target of reducing time-to-detection of credit stress events from the current average to 45 days would materially improve portfolio quality outcomes.
6) Advocate for Regulatory Frameworks Supporting Automotive NBFC Lending: KMPL and industry associations (FIDC, SIAM) should engage with the RBI and Ministry of Finance to develop a regulatory framework that recognizes the systemic role of NBFC dealer financing in automotive sector GDP contribution and employment, supporting access to priority sector refinancing or dedicated liquidity windows during demand shock events.

X. CONCLUSION

This research has demonstrated that dealer financing is a foundational enabler of automobile sales growth in India, with a measurable and statistically significant positive relationship between dealer credit availability and vehicle retail volumes. The longitudinal study of KMPL's dealer financing portfolio from 2019-20 to 2022-23 reveals a consistent co-movement: as dealer financing outstandings grew by 24.1%, associated automobile sales volumes grew by 18.8%, with a Pearson correlation coefficient of $r = 0.91$ confirming the strength of this relationship.

The COVID-19 experience provides a natural experiment that reinforces the causal mechanism: the simultaneous contraction of financing availability and sales volumes in 2020-21, followed by synchronized recovery in 2021-22 and 2022-23, confirms that financing and sales are structurally coupled rather than coincidentally correlated. Inventory funding emerged as the most influential financing lever, directly determining stock availability and, by extension, dealers' capacity to convert customer footfall into sales. Retail loan co-lending was identified as the second most impactful instrument, enabling seamless in-showroom financing that dramatically reduces purchase friction for credit-dependent buyers.

The Dealer Financing Effectiveness Framework (DFEF) proposed in this study — integrating intelligent credit allocation, technology-enabled dealer engagement, retail loan ecosystem development, and portfolio resilience — provides a structured roadmap for NBFC lenders seeking to maximize the automobile sales impact of their dealer financing portfolios. For KMPL specifically, continued investment in technology integration, geographic expansion, and OEM partnership deepening offers a clear pathway to sustained leadership in the automotive dealer financing market.

The broader implications of this research extend to automobile manufacturers, who should recognize dealer financing health as a critical variable in their retail sales planning, and to policy stakeholders, who should consider the systemic importance of NBFC automotive financing in India's overall vehicle sales trajectory and associated economic impact. Future research should examine the impact of electric vehicle adoption on dealer financing requirements, explore the role of fintech-driven dealer financing innovations, and conduct comparative analyses across multiple NBFC automotive lenders to establish industry-wide benchmarks for dealer financing effectiveness.

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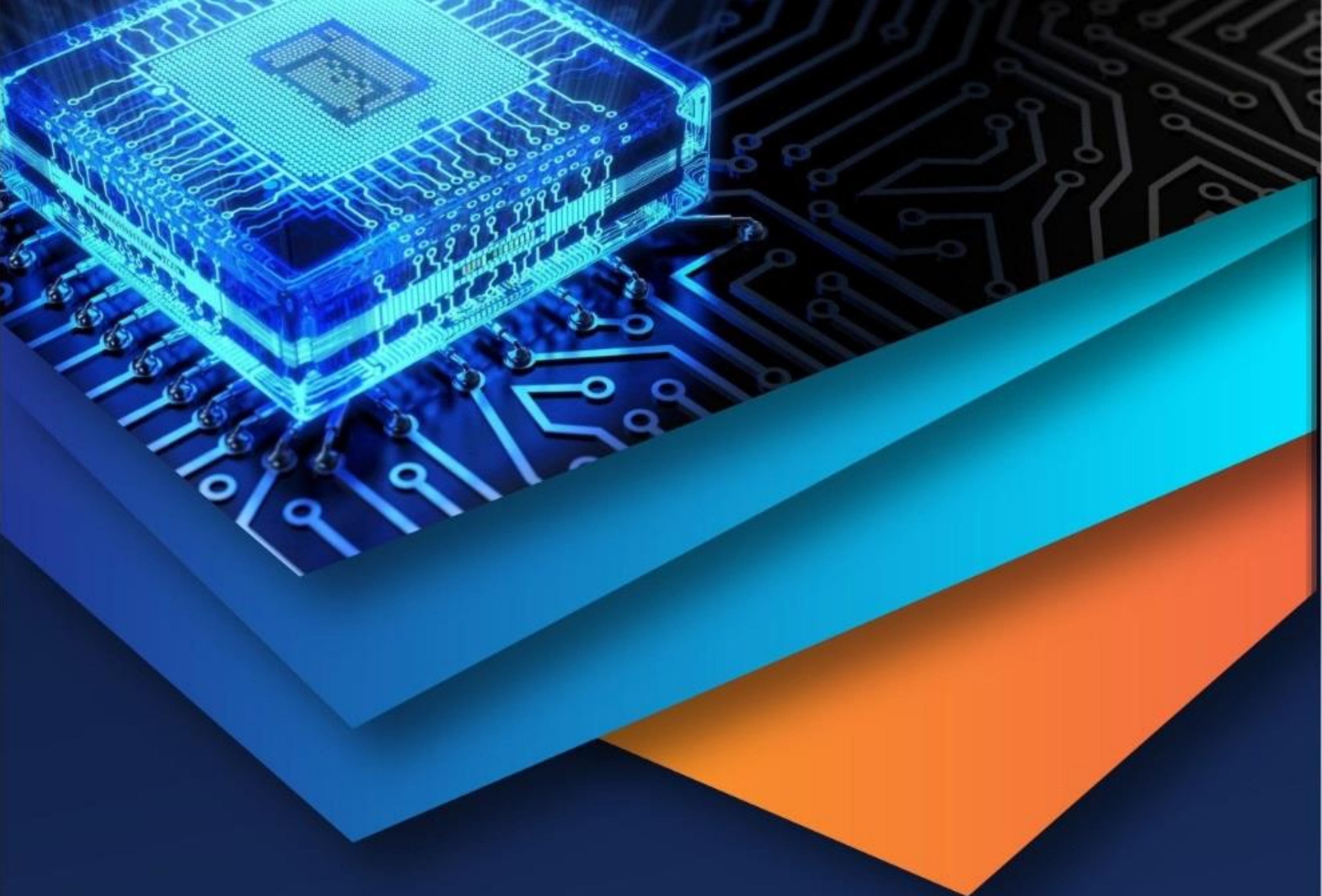

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