

# Attitude of Car Buyers' Towards Imported used Cars: An Indian Empirical Study

Ernest Johnson  
Faculty of Business Administration  
University of Regina  
Regina, Canada

Silas Sargunam  
Department of Management Studies  
Anna University  
Tirunelveli, India

## ABSTRACTS

Signatory to the World Trade Organizations, India could no longer apply quantitative restrictions on the import of used cars. As the used cars are very inexpensive, they would pose a serious threat to the Indian car industry. To counteract the threat, the Government of India has built tariff and non-tariff barriers. In this study, an attempt has been made to understand the attitude of car buyers towards the import of used cars by using information system. Result reveals that one third of the respondents show interest in the imported used cars. Also, it is found that the demographic factors such as age, monthly household income and the number of earning members in the family have significant impact on the positive attitude towards the imported used cars.

**Keywords :** Information systems; Imported used car; Dissuading factors; Influencing factors

## I. INTRODUCTION

In April 2001, the passenger car industry in India faces a perpetual threat from the import of used cars. As per the World Trade Organization (WTO) agreement, quantitative restrictions (QRs) on imports were removed by the Government of India. As a result, the threat from the import of used cars looms large in the face of the passenger car manufacturing companies in the country. Considering the prevailing prices of second hand cars in the foreign market, it would be difficult for the domestic car manufacturers to compete on the price term. There is every possibility that the price sensitive and utility conscious Indian car buyer is swayed by such an offer. Previous studies reported in the literature support these assertions. Specifically, Schooler (1971) concluded that the older respondents rated foreign products more highly than the younger respondents in the United States [1]. Further, Tongberg (1972) inferred that older consumers in the United States had more positive attitude towards foreign products [2]. Wang (1978) observed that the demographic characteristics were not significant in assessing the attitude towards foreign products [3]. Further (Bikey and Nes 1982), founded that the country of origin was a significant factor in influencing the product evaluation process of buyers in the United Kingdom [4]. Bhuvana Ramalingam (1999) concluded that a pragmatic approach by the Government was needed to prevent the onslaught by the import of used cars as the quantitative restrictions and local content regulations were to be lifted as per WTO agreement [5]. However, Raghuvir Srinivasan (2000) analysed the potential impact of the removal of quantitative restrictions on import of used cars on the passenger

car manufacturing companies in India. He reasoned that one could get an imported used car for around Rs.3 lakhs (US \$ 6250), taking into account the price of the used car in a foreign country, import duty and the shipment cost. He also observed that while lower price would be attractive to the Indian buyer, service related problems and the Government restrictions would be the dissuading factors [6].

The Government of India, foreseeing the threat from the import of used cars, has introduced protective measures in the form of tariff and non-tariff barriers. They include a basic import duty of 105 per cent on the cost, insurance and freight (CIF) value of the used car. It is also subjected to an additional countervailing duty of 16 per cent on the CIF value and special additional duty of four per cent of landed value is charged. The Government has also imposed the following restrictions on the import of used cars.

The imported car is not older than three years from the date of manufacture.

- It has right hand steering and controls
- It has a speedometer indicating the speed in kilometres.
- It has the photometry of the head lamps to suit the „keep left“ traffic
- It should be certified by a notified agency that it is road – worthy for at least five years.

Moreover the import of such vehicles shall be allowed only through the customs port at Mumbai, India. On arrival at the Indian port and before clearance for use, the vehicle has to be submitted for testing by the Vehicle Research and Development Establishment, AhmedNagar or the Automotive Research Association of India or other testing agencies notified by the Government.

The policy also lays down regulations for importers and dealers who are importing such vehicles. The importing agency is to submit certificate issued by a testing agency notified by the Central Government that the vehicle being imported has been tested immediately before shipment and that the vehicle confirms to all the regulations specified in the Motor vehicles Act, 1998. The importer should also submit a certificate issued by a testing agency notified by the Government that the used vehicle being imported conforms to the original homologation certificate issued at the time of manufacture.

All these non-quantitative restrictions imposed by the Government reveals the gravity of the impact of the import of these used cars on the economy of the country. In this context, using information system this study understands the attitude of the Indian car buyer towards importing of used cars assumes significance.

## II. OBJECTIVES OF THE STUDY

The study has the following objectives

- To ascertain the level of interest among car buyers towards imported used cars using information system
- To identify the factors that encourage and discourage the preference for imported used cars and
- By using information system to understand the association between the demographic characteristics and the willingness to buy imported used cars.

## III. RESEARCH METHODOLOGY

The result is presented in Table 1.

Table 1 : Interest of the Respondents in buying an imported used cars			
No	Interest Level	Number of Respondents	Percentage of Respondents
1	Interested	51	34
2	Not Interested	99	66
Total		150	100

Further, an attempt was made to understand the reasons for the willingness of the respondents to buy an imported used car. The respondents were asked to denote the major reason for their willingness to buy an imported used car. From the information analysis, the reasons included in the study were quality, brand image, status symbol and being different. Twenty seven (53 per cent) attributed their willingness to buy an imported used car to brand image. Eleven respondents who constitute around 22 per cent have cited quality as the major

The study assumes descriptive nature as it attempts to describe the characteristics of certain groups to estimate the proportion of people in a specified population who behave in a certain way and to make specific predictions. Also, it attempts to provide quantitative evidence to the findings to the extent possible. Primary data were collected using an interview schedule from the sample respondents drawn from the car owners in the city of Chennai, India was entered and analysis by using SPSS software. The list of customers given by the dealers of the car companies was used as the population frame. One hundred and fifty respondents were selected using the simple random sampling method.

## IV. RESULTS

The data were saved in a Statistical Package for the Social Sciences database, version 11.5 (SPSS 11.5, 2001) for further analysis. Both descriptive and inferential statistics were used. Means and frequencies were used to describe the study data. For the interest in buying an imported used car, 51 respondents who constitute 34 per cent of all the respondents expressed interest in buying an imported used car. Ninety nine respondents comprising of 66 per cent of the total number of respondents were not interested in buying an imported used car.

reason. Being different had been given as the major reason by nine respondents who constitute around 18 per cent. Four respondents who constitute around 8 per cent have given status symbol as the major reason for their willingness to buy an imported used car. It may be inferred that the majority of those respondents who expressed their willingness to buy an imported used car mentioned the brand image as the major reason. The results are presented in Table 2.

Table 2 : REASONS FOR WILLINGNESS TO BUY IMPORTED USED CARS			
No	Major Reason	Number of Respondents	Percentage of Respondents
1	Brand Image	27	52.9
2	Quality	11	21.6
3	Being Different	9	17.7

4	Status Symbol	4	7.8
Total		51	100.0

Likewise, an attempt was made to understand the reasons for the unwillingness of the respondents to buy an imported used car. The reasons were lack of familiarity, spares and service problems, lack of procedural knowledge and Government restrictions comes through the information system analysis. The respondents were asked to indicate the major reason for their unwillingness to buy an imported used car. The result is presented in Table 3. The results showed 50 respondents who constitute 51 per cent have attributed their

unwillingness to buy an imported used car to spares and service related problem. Thirty five respondents who constitute 35 per cent cited the restrictions by the Government as the major reason. Lack of procedural knowledge was given as the major reason by eight respondents who constitute eight per cent. Six respondents had identified lack of familiarity as the major reason for their unwillingness to buy an imported used car.

Table 2 : REASONS FOR UNWILLINGNESS TO BUY IMPORTED USED CARS			
No	Major Reason	No. of Respondents	Percentage of Respondents
1	Spares / Service Problems	50	50.5
2	Government Restrictions	35	35.3
3	Lack of Procedural Knowledge	8	8.1
4	Lack of familiarity	6	6.1
Total		99	100

Finally, an attempt had been made to study the association between demographic characteristics of the respondents and their willingness to buy imported used cars using information system. The respondents were classified on the basis of age, sex, monthly income, family size, number of earning members in the family and the category of car owned. Chi square test was applied to test the significant difference among these categories of respondents with respect to their willingness to buy imported used cars. The result of the Chi square test is presented in Table

4. It can be seen that there is significant difference among the respondents with respect to their willingness to buy imported used cars when they are classified on the basis of age, monthly household income and the number of earning members in the family. Also, It can be seen that there is no significant difference among the respondents with respect to their willingness to buy imported used cars when they were classified on the basis of sex, level of education, nature of employment and the category of car owned.

Table 4 : Significant differences among the Respondents regarding their willingness to buy imported cars		
No	Basis of Classification	Chi Square
1	Age	29.325*
2	Sex	0.081
3	Level of Education	4.215
4	Nature of Employment	2.971
5	Monthly Household Income	34.401*

6	Earning members in the family	19.844*
7	Category of Car	8.532

\* Significant at 5 percent level

## **V. CONCLUSION**

The study showed that a significant proportion of the respondents expressed interest in imported used cars. Also, it was found that the barriers established by the Government were instrumental in dissuading the respondents from preferring an imported used car. Hence in the interest of the domestic car-manufacturing sector, it is appropriate to continue with these restrictive measures.

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