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Impact of EMI Financing on Customer Purchase Decision in the Tyre Industry: A Study with Reference to Bajaj Finance Ltd

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Abstract:

Equated Monthly Instalment (EMI) financing has become a widely used point-of-sale credit mechanism through which non-banking financial companies (NBFCs) enable consumers to convert lump-sum purchases into affordable periodic payments. In the Indian tyre replacement market, where purchases are often unplanned and price-sensitive, EMI facilities offered by NBFCs such as Bajaj Finance Ltd have increasingly influenced how, when, and which tyres customers buy. This paper examines the role of EMI financing in shaping customer purchase decisions in the tyre industry, with specific reference to the EMI Network Card and Insta EMI Card ecosystem operated by Bajaj Finance Ltd. It reviews the structure of retail point-of-sale financing in India, presents a schematic representation of the EMI-based tyre financing model, and undertakes a comparative analysis of cash purchase versus EMI purchase from the customer's perspective. The paper also discusses the opportunities EMI financing presents for tyre retailers, manufacturers, and financiers, alongside the challenges of affordability illusion, over-financing, and consumer over-indebtedness. Based on a review of secondary data and industry literature, the paper concludes that EMI financing acts as a significant purchase-decision accelerant in the tyre category, particularly for premium and larger-size tyres, provided it is supported by transparent disclosure and responsible lending practices.

Keywords: EMI Financing, Consumer Purchase Decision, Tyre Industry, Bajaj Finance Ltd, No Cost EMI, Point-of-Sale Lending, NBFC, Consumer Durables Financing

1. Introduction

Tyre replacement is a distinctive category within Indian retail: it is frequently an unplanned, need-driven purchase triggered by wear, damage, or a safety requirement, yet it carries a ticket size that can strain a household or small fleet operator's immediate cash flow. Historically, tyre purchases in India were financed largely out of pocket, with organised consumer credit playing a limited role at the point of sale. Over the last decade, however, non-banking financial companies (NBFCs) have built extensive retail point-of-sale (PoS) financing networks that allow customers to convert such purchases into instalments at the moment of sale, without necessarily requiring a traditional credit card.

Bajaj Finance Ltd, through its EMI Network Card and the more recent Insta EMI Card, has built one of the largest PoS consumer financing networks in India, spanning well over a hundred thousand partner outlets across thousands of cities. This network has expanded into automotive-adjacent categories, including tyres, where customers can now finance both car and two-wheeler tyre purchases on tenures ranging from a few months to several years, often under 'No Cost EMI' arrangements in which the interest cost is absorbed by the retailer or manufacturer rather than charged separately to the customer. Tyre manufacturers have also begun to co-fund such programmes directly, reflecting the growing strategic importance of financing as a demand-generation tool in the category.

Against this backdrop, this paper examines how the availability of EMI financing, and specifically Bajaj Finance's EMI infrastructure, influences customer purchase decisions in the tyre industry, including decisions on tyre brand, tyre size and premiumisation, purchase timing, and basket size (for example, replacing all four tyres versus one).

2. Objectives of the Study

1. To study the structure and evolution of EMI-based point-of-sale financing in India, with reference to Bajaj Finance Ltd.

2. To examine the specific EMI financing instruments offered by Bajaj Finance Ltd that are applicable to tyre purchases.

3. To identify the factors through which EMI financing influences customer purchase decisions in the tyre category.

4. To compare cash purchase and EMI purchase of tyres from the customer's decision-making perspective.

5. To examine the opportunities and challenges associated with EMI-financed tyre purchases for customers, retailers, and financiers.

6. To suggest measures for the responsible and effective use of EMI financing in tyre retail.

3. Literature Review

3.1 Evolution of Consumer Point-of-Sale Financing in India

Literature on Indian retail finance traces the growth of organised consumer lending to the expansion of NBFCs into durable-goods financing during the 2000s, followed by the rapid scaling of EMI card networks over the past decade. Studies note that PoS financing has progressively expanded beyond consumer electronics and appliances into categories such as furniture, healthcare, education, and, more recently, automotive accessories including tyres, reflecting NBFCs' strategy of embedding credit at the moment and location of purchase.

3.2 EMI Financing and Consumer Buying Behaviour

A body of consumer behaviour literature examines how instalment-based payment structures affect purchase decisions, drawing on theories of mental accounting and payment decoupling, whereby splitting a large payment into smaller periodic instalments reduces the perceived pain of paying and can increase both purchase likelihood and basket size. Studies on Indian consumers generally suggest that availability of No Cost EMI options is associated with a greater willingness to trade up to higher-value or premium product variants than the customer might otherwise choose under a cash-only constraint.

3.3 Role of NBFCs in Retail Point-of-Sale Lending

Industry literature highlights those NBFCs, led by players such as Bajaj Finance Ltd, have built proprietary merchant networks and pre-approved credit lines that allow near-instant loan approval at partner stores, differentiating this model from traditional bank credit card financing. This infrastructure has been extended into automotive and tyre retail through direct tie-ups between NBFCs, tyre manufacturers, and dealer networks.

3.4 Tyre Industry Purchase Dynamics

Literature specific to the tyre replacement market notes that purchase decisions are shaped by a combination of safety necessity, price sensitivity, brand loyalty, and increasingly, the premiumisation of vehicles, particularly SUVs, which require larger and costlier tyres. This premiumisation trend has made affordability solutions, including EMI financing, an increasingly relevant lever for tyre manufacturers and retailers seeking to convert need-based enquiries into completed sales of higher-value products.

3.5 Research Gap

While literature exists separately on consumer instalment-financing behaviour and on tyre industry market dynamics, comparatively few studies integrate the two by examining how a specific NBFC's EMI infrastructure, such as that of Bajaj Finance Ltd, shapes purchase decisions within the tyre category specifically. This paper attempts to address that gap through a structured, practitioner-oriented analysis.

4. Research Methodology

This paper adopts a descriptive and analytical research design based on secondary data and conceptual synthesis. Information has been drawn from publicly available disclosures of Bajaj Finance Ltd and its retail platforms, tyre manufacturer and dealer communications regarding EMI-linked promotional programmes, and existing academic and industry literature on consumer instalment financing and automotive retail. The study is conceptual in nature and does not involve primary survey or interview data; instead, it synthesises available secondary information to present a structured framework of how EMI financing interacts with customer purchase decisions in the tyre category. Researchers seeking to validate the framework empirically may extend this study using a structured questionnaire administered to tyre buyers at Bajaj Finance-affiliated dealer outlets, as outlined under the scope for future research.

5. Overview of Bajaj Finance's EMI Financing Model

Bajaj Finance Ltd operates one of India's largest consumer point-of-sale lending networks, historically built around the physical EMI Network Card and more recently extended through the digital Insta EMI Card. Both instruments function as a pre-approved line of credit that customers can use to convert an eligible purchase into monthly instalments at the time of sale, at partner outlets spanning consumer electronics, lifestyle, healthcare, and automotive-accessory categories, including tyres. The pre-qualified loan offer under these instruments typically extends up to roughly Rs 3,00,000, with repayment tenures that can range from a few months up to 60 months, depending on the product category and the specific offer applicable at the partner store.

For tyre purchases specifically, Bajaj Finance's EMI infrastructure allows customers to finance both car and two-wheeler tyres at certified partner dealerships, with many offers structured as No Cost EMI, where the retailer or manufacturer absorbs the financing cost so that the customer repays only the base price of the tyre in instalments. Tyre manufacturers have increasingly co-funded such programmes directly; for instance, industry reporting in 2025 described a tyre manufacturer partnering with Bajaj Finance Ltd to launch a dedicated no-cost EMI programme aimed at customers upgrading to larger, premium tyres for SUVs and premium passenger cars, offered over a short tenure with a modest minimum monthly instalment.

6. Structure of EMI-Based Tyre Financing

EMI-based tyre financing under the Bajaj Finance model can broadly be classified along the channel through which the instrument is accessed (physical EMI Network Card versus digital Insta EMI Card) and the cost structure applied to the customer (No Cost EMI versus standard interest-bearing EMI), with an emerging third category of manufacturer co-funded programmes tied to specific tyre brands. The figure below presents a simplified schematic of this classification.

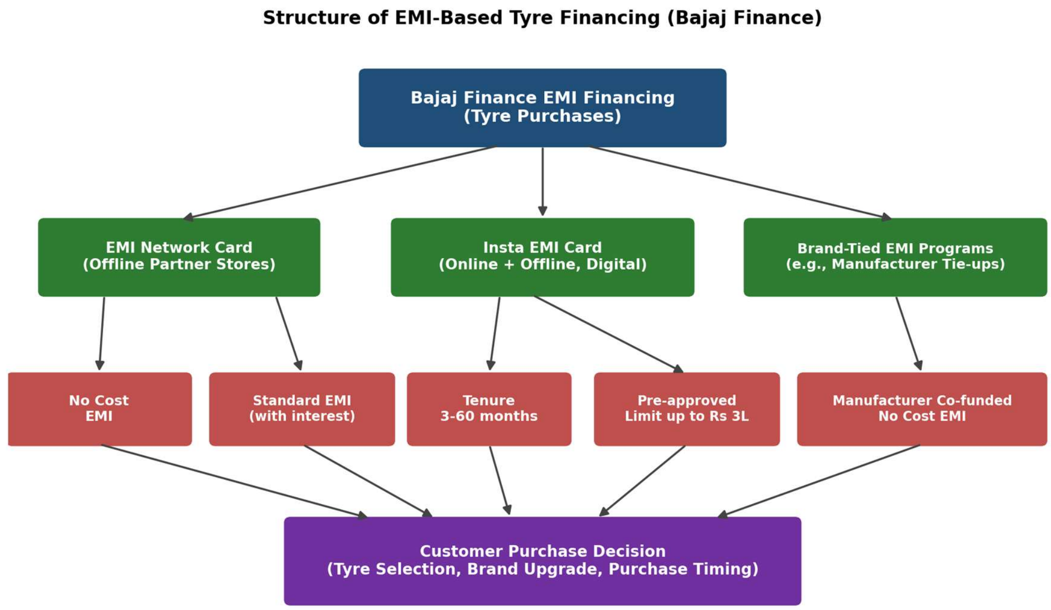

Figure 1: Structure of EMI-Based Tyre Financing (Bajaj Finance)

As illustrated in Figure 1, the EMI Network Card primarily serves offline partner dealerships, while the Insta EMI Card extends the same pre-approved credit line to online and hybrid purchase journeys. Both converge on a common set of terms, notably tenure flexibility and a pre-approved credit limit, while manufacturer-tied programmes represent a more targeted layer aimed at specific product upgrades, such as larger or premium tyre variants. Together, these pathways feed into the customer's ultimate purchase decision, spanning tyre brand and size selection, timing of replacement, and the number of tyres purchased in a single transaction.

7. Key Features of Bajaj Finance EMI Products Relevant to Tyre Purchases

7.1 Pre-Approved Credit Line

Because the EMI Network Card and Insta EMI Card function as a pre-approved loan offer rather than a fresh loan application, customers who already hold the card can complete a tyre purchase on EMI with minimal incremental paperwork, reducing friction at the point of an often urgent, unplanned purchase.

7.2 No Cost EMI

Under No Cost EMI arrangements, the interest component is typically absorbed by the retailer or manufacturer as a promotional cost, so the customer's total repayment approximates the cash price of the tyre spread over the chosen tenure, subject to the specific merchant offer in force.

7.3 Tenure Flexibility

Repayment tenures for EMI purchases under this network can range from as short as three months to as long as sixty months, allowing customers to select a monthly instalment amount that fits their cash flow, though tyre-specific promotional tenures are often structured on the shorter end, commonly around three to six months.

7.4 Wide Partner Network

The scale of Bajaj Finance's partner network, spanning well over a hundred thousand outlets across thousands of cities, extends the reach of EMI-based tyre financing well beyond metropolitan markets into Tier II and Tier III towns, where access to organised consumer credit has historically been more limited.

8. Factors Through Which EMI Financing Influences Customer Purchase Decisions

8.1 Affordability and Payment Decoupling

By converting a single large payment into smaller periodic instalments, EMI financing reduces the immediate cash outflow associated with a tyre purchase, lowering the psychological and practical barrier to completing the transaction, particularly for customers facing an urgent, unplanned replacement need.

8.2 Trading Up to Premium or Larger Tyres

EMI financing appears to influence not only whether a purchase is completed but also which product tier is selected; customers financing their purchase on EMI may be more inclined to select a premium brand or a larger tyre size than they would under a strict cash constraint, consistent with broader literature on instalment financing and product upgrade behaviour.

8.3 Purchase Timing

Availability of instant EMI approval at the dealership can accelerate the purchase decision, allowing a customer to proceed with replacement immediately rather than deferring the purchase while saving the full amount, which is particularly relevant for safety-critical replacements.

8.4 Basket Size

EMI financing can influence whether a customer replaces a single damaged tyre or opts for a full set, since the incremental monthly instalment for replacing additional tyres may be perceived as more manageable than the equivalent lump-sum difference.

8.5 Brand and Dealer Trust

Because EMI approval is often tied to specific certified partner dealerships, the presence of a recognised financier such as Bajaj Finance Ltd at a dealership can itself function as a trust signal that influences dealer and, indirectly, brand selection.

9. Comparative Analysis: Cash Purchase vs EMI Purchase of Tyres

The table below presents a comparative overview of cash purchase and EMI purchase of tyres across parameters relevant to customer decision-making.

Parameter	Cash Purchase	EMI Purchase (Bajaj Finance)
Upfront Cash Outflow	Full purchase price paid immediately	Minimal to nil; spread across instalments
Effective Cost	Equal to listed price; no financing cost	Equal to listed price under No Cost EMI; higher under interest-bearing EMI
Approval Time	Not applicable	Near-instant for pre-approved cardholders

Influence on Product Tier	Constrained by available cash on hand	Can enable trade-up to premium or larger tyres
Documentation	Minimal	Prior card activation and eligibility check required
Risk to Customer	None beyond opportunity cost of cash	Risk of over-commitment across multiple EMIs if not tracked

As the comparison indicates, EMI purchase primarily trades a modest increase in transactional complexity and, in interest-bearing structures, a financing cost, for a significant reduction in the immediate cash burden and an expanded ability to select higher-value tyre options at the point of sale.

9.1 SWOT Analysis of EMI-Financed Tyre Purchases

Strengths	**Weaknesses**	**Opportunities**	**Threats**
Reduces upfront cash burden for customers	No Cost EMI offers vary by dealer and are not universal	Growing SUV/premium tyre segment driving demand for financing	Risk of consumer over-indebtedness across multiple EMIs
Enables trade-up to premium or larger tyres	Requires prior card activation/eligibility check	Deeper manufacturer co-funded EMI tie-ups	Dealer-level mis-selling of financing terms
Wide partner network across Tier II/III towns	Interest-bearing EMI can raise effective cost	Expansion into two-wheeler tyre and fleet segments	Regulatory tightening of NBFC PoS lending norms
Near-instant approval accelerates urgent replacement	Limited financial literacy among some customers on EMI terms	Bundling tyre EMI with allied services (alignment, insurance)	Increased price sensitivity if EMI availability is withdrawn

10. Opportunities Presented by EMI Financing in the Tyre Industry

10.1 Demand Acceleration for Premium and Larger Tyres

EMI financing lowers the effective barrier to purchasing premium or larger tyres, supporting the broader premiumisation trend in India's passenger vehicle market and enabling manufacturers to convert enquiry interest into completed higher-value sales.

10.2 Expanded Market Reach

The scale of Bajaj Finance's partner network extends organised, formal consumer credit access for tyre purchases into smaller towns and cities, where cash constraints have traditionally been a more binding factor in replacement timing.

10.3 Manufacturer-Financier Co-Funded Programmes

Direct partnerships between tyre manufacturers and Bajaj Finance Ltd, in which the manufacturer subsidises the financing cost of a No Cost EMI programme, allow manufacturers to use financing as a targeted demand-generation tool for specific product lines, such as larger-format tyres.

10.4 Improved Dealer Sales Conversion

For tyre retailers, the ability to offer instant EMI approval at the point of sale can improve conversion of walk-in enquiries into completed sales, particularly for higher-ticket or full-set replacement transactions.

10.5 Safety-Linked Replacement Timeliness

By reducing the immediate cash burden of replacement, EMI financing can support more timely tyre replacement on safety grounds, rather than customers delaying replacement of worn tyres due to affordability constraints.

11. Challenges Facing EMI-Financed Tyre Purchases

11.1 Affordability Illusion

The decoupling of payment from consumption inherent in EMI financing can lead some customers to underestimate the cumulative burden of multiple concurrent EMIs across categories, a recurring theme in consumer finance literature on instalment-based purchasing.

11.2 Variability of No Cost EMI Availability

Not all tyre purchases or partner dealerships offer genuine No Cost EMI terms; where the financing cost is passed through as interest, customers may end up paying more than the equivalent cash price without fully appreciating the differential.

11.3 Dependence on Dealer-Level Disclosure

Because EMI terms are communicated at the point of sale by dealership staff rather than directly by the financier in a standardised format, the quality and clarity of disclosure regarding effective cost, tenure, and any processing charges can vary across partner outlets.

11.4 Over-Financing and Basket Inflation

The ease of financing additional tyres or higher-tier products on EMI can, in some cases, lead customers toward a larger or more expensive purchase than their underlying need strictly requires, raising the importance of responsible-selling practices at the dealership level.

11.5 Regulatory and Compliance Considerations

As with other NBFC point-of-sale lending, EMI-based tyre financing operates within an evolving regulatory framework governing NBFC lending practices, fair-practice codes, and disclosure norms, compliance with which is essential to sustaining customer trust in the model.

12. Illustrative Case Examples

12.1 Manufacturer Co-Funded No Cost EMI for Premium Tyres

In 2025, industry reporting described a tyre manufacturer partnering with Bajaj Finance Ltd to launch a co-funded No Cost EMI programme targeted at customers upgrading to tyres of 17 inches and above, reflecting the premiumisation of India's passenger car market and the growing role of financing as a lever for encouraging upgrades to larger, higher-value tyres, with a short promotional tenure and a modest minimum monthly instalment designed to widen affordability.

12.2 EMI Network Card Growth and Category Expansion

Bajaj Finance's broader EMI card user base has expanded substantially over the years, alongside a corresponding expansion of its partner outlet network into new categories such as automotive accessories and tyres, illustrating how an NBFC's PoS financing infrastructure, originally built around consumer durables, can be extended into adjacent categories where purchase urgency and ticket size make instalment financing particularly relevant.

13. Discussion

The evidence reviewed in this paper suggests that EMI financing, and Bajaj Finance Ltd's infrastructure in particular, functions as a meaningful influence on customer purchase decisions in the tyre category, primarily by reducing the immediate cash burden of an often unplanned, safety-critical purchase and by enabling customers to trade up to premium or larger tyre variants that might otherwise be deferred or foregone under a cash-only constraint.

At the same time, the comparative analysis and challenges discussed indicate that the benefits of EMI financing to the customer depend heavily on the specific terms in force at a given dealership, particularly whether the offer is genuinely No Cost, and on the customer's own financial discipline in managing concurrent EMI obligations. This reinforces a recurring theme in the consumer finance literature: the instrument itself is largely neutral, and the actual outcome for the customer depends substantially on the transparency of dealer-level disclosure and the customer's own financial awareness.

14. Recommendations

1. Standardise point-of-sale disclosure of EMI terms across partner dealerships, clearly distinguishing No Cost EMI offers from interest-bearing EMI offers before the customer commits to the purchase.

2. Encourage tyre manufacturers and Bajaj Finance Ltd to expand co-funded No Cost EMI programmes for safety-critical and premium replacement categories, given their demonstrated role in supporting timely replacement.

3. Strengthen customer-facing financial literacy at the point of sale regarding the cumulative impact of multiple concurrent EMI obligations, to mitigate the risk of over-commitment.

4. Introduce dealer-level responsible-selling guidelines to reduce the risk of customers being encouraged toward larger or higher-tier purchases than their underlying need requires.

5. Extend EMI-based tyre financing outreach further into Tier II and Tier III markets and fleet/commercial-vehicle tyre segments, where formal credit access remains comparatively limited.

6. Encourage periodic customer satisfaction and repayment-behaviour tracking specific to the tyre category, to inform continuous refinement of EMI programme design.

15. Limitations of the Study

This study is based entirely on secondary data and publicly available information; it does not incorporate primary survey or interview data from actual tyre buyers regarding their EMI usage and decision-making. As a conceptual paper, the framework and observations presented are indicative rather than statistically validated, and empirical research involving structured customer surveys at Bajaj Finance-affiliated dealer outlets would be required to test the propositions discussed here.

16. Scope for Future Research

Future research could undertake an empirical, survey-based study of tyre buyers at Bajaj Finance-affiliated dealerships to statistically test the relationship between EMI availability and purchase decisions such as brand selection, tyre size, basket size, and replacement timing. Comparative studies examining EMI-financed tyre purchases across customer segments, such as private vehicle owners versus fleet operators, or across Tier I, II, and III markets, would also make valuable contributions to this field, as would longitudinal studies of repayment behaviour and customer satisfaction specific to tyre-category EMI financing.

17. Conclusion

EMI financing has become a meaningful influence on customer purchase decisions within India's tyre replacement market, offering a mechanism through which Bajaj Finance Ltd's point-of-sale credit infrastructure reduces the cash-flow burden of an often unplanned, safety-critical purchase while supporting the broader premiumisation of the passenger vehicle tyre segment. The structure outlined in this paper, spanning the EMI Network Card, the Insta EMI Card, and emerging manufacturer co-funded programmes, reflects a deliberately layered financing ecosystem designed to widen affordability across customer segments and geographies.

However, as the challenges discussed in this paper illustrate, the value delivered to the customer depends fundamentally on transparent dealer-level disclosure, genuine No Cost EMI availability, and responsible customer financial management, rather than on the financing instrument alone. As EMI-based financing continues to deepen its penetration in the Indian tyre industry, the recommendations discussed in this paper will remain relevant to ensuring that EMI financing continues to serve customers' genuine purchase needs rather than encouraging unsustainable over-commitment.

Appendix: Glossary of Key Terms

Term	Definition
EMI (Equated Monthly Instalment)	A fixed periodic payment used to repay a purchase amount over an agreed tenure.
No Cost EMI	An EMI arrangement in which the financing/interest cost is absorbed by the retailer or manufacturer rather than charged to the customer.
EMI Network Card	Bajaj Finance's physical pre-approved credit card used to finance purchases at offline partner stores.
Insta EMI Card	Bajaj Finance's digital pre-approved credit instrument usable across online and offline partner stores.
Point-of-Sale (PoS) Financing	Consumer credit made available at the location and moment of purchase, typically via a pre-approved facility.
Tenure	The agreed repayment period over which an EMI obligation is spread.

Payment Decoupling	The behavioural effect by which splitting a payment from the moment of consumption reduces the perceived cost of purchase.
Premiumisation	The consumer and market trend toward higher-value, higher-specification product variants, relevant here to larger/premium tyres.

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