

DRIVING FINANCIAL INCLUSION IN SOUTH AFRICA'S EVOLVING TRANSPORT LANDSCAPE

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The evolving movement needs of people and business are creating new opportunities for financial inclusion and economic growth. For many South Africans, transport remains a significant financial burden. While higher-income groups have access to multiple mobility options, lower-income consumers often find themselves excluded from affordable and reliable transport solutions. Financial inclusion can play a transformative role in reshaping South Africa's transport landscape, ensuring that mobility becomes an enabler rather than a barrier to progress.

The Reality of Transport Poverty in South Africa

Transport poverty—a term describing the lack of affordable and accessible transport options—remains a critical issue, disproportionately affecting lower-income individuals. The latest TransUnion Vehicle Price Index (VPI) data highlights the increasing affordability gap in vehicle ownership. With vehicle prices rising by 4.4% in Q2 2024 and used vehicle financing outpacing new purchases, it is clear that traditional car ownership is becoming less viable for many South Africans.

Households are spending a growing share of their income on transportation, yet public transport remains unreliable, and alternative options are limited. While micromobility solutions like e-bikes and scooters present new opportunities, their feasibility is hindered by infrastructure challenges, safety concerns, and accessibility barriers. For a mother in a township looking to start a small transport business, or a young entrepreneur needing reliable travel to expand their work opportunities, the current system offers little support.

The financial services sector has a crucial role to play in reshaping mobility by enabling access to vehicle ownership and alternative transport as a service solution. Data indicates that vehicle asset finance (VAF) has contracted for five consecutive years, with fewer consumers qualifying for financing due to high interest rates and stagnant wages. However, financial innovation can help bridge this gap through:

- Flexible financing models: Subscription-based vehicle services and pay-as-you-drive options are gaining traction, offering lower entry barriers for those who cannot commit to long-term financing.
- Microloans for micromobility: Providing financing options for lower-cost transport solutions, such as e-bikes or car-sharing services, can empower individuals who are currently excluded from traditional vehicle finance.
- Alternative credit assessments: Many low-income earners struggle with access to credit due to traditional scoring methods. Leveraging alternative data sources—such as income stability, rental payments, telco or employment history—can open new pathways to vehicle financing.

The Unseen Market: Recognising the Potential of Low-Income Communities

The automotive and financial industries must shift their perspective to recognise the economic potential within traditionally overlooked segments. South Africa's growing base of informal entrepreneurs, gig economy workers, and community-driven transport operators represents an untapped market for affordable mobility solutions.

Our VPI data shows a decline in new vehicle sales while highlighting a rise in used vehicle purchases and flexible financing models. This shift signals a demand for cost-effective and adaptable mobility solutions. By

The National Automobile Dealers' Association (NADA) represents South African business owners managing new vehicle dealerships and qualifying used vehicle outlets.

expanding financing options and integrating digital tools for affordability assessments, industry players can help unlock economic opportunities for these communities.

The future of mobility in South Africa requires a collaborative approach, where financial institutions, policymakers, and transport providers come together to drive meaningful change. Key focus areas should include:

- Expanding affordable financing solutions to ensure that more South Africans can access transport ownership or micromobility options.
- Investing in transport infrastructure that supports alternative transport solutions, including bike lanes, e-mobility charging stations, and last-mile connectivity.
- Driving policy reform to incentivise financial institutions to support low-income borrowers and facilitate the adoption of sustainable mobility solutions.

As the mobility landscape keeps moving forward, financial inclusion will be a driving force in ensuring that transport is not a privilege for the few, but an enabler of opportunity for all. The industry has an opportunity and a responsibility to turn the unseen market into a visible force for economic growth and social progress.

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