

Can EV Financing Fix the Affordability Gap?

TDG NETWORK
NEW DELHI

Electric vehicle (EV) adoption in India is accelerating at a remarkable pace. What was once a niche market limited to major metros has now begun to reach smaller cities and towns, signalling a deeper shift in the country's mobility landscape. This transformation has been propelled by rising middle-class incomes, changing consumer perceptions, and robust government support.

The Union Budget 2025 marked another step in this journey by announcing measures to lower EV manufacturing costs and



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expand the nation's EV infrastructure. By the end of FY 2024-25, India had surpassed 1,00,000 EV sales per month, with total EV registrations hitting 61.66 lakh units. Central schemes like PME-DRIVE, state-level subsidies, and

income tax incentives have contributed significantly to this progress, creating a policy environment that strongly favours cleaner mobility alternatives.

Despite the upward trajectory, one obstacle continues to hinder the sector's full potential: affordability. Even with government incentives, EVs typically come with a higher upfront price compared to petrol and diesel vehicles. A commonly purchased electric scooter can cost anywhere between Rs 1.2 to Rs 1.5 lakh on-road—almost double the price of its internal combustion engine (ICE) counterpart. The disparity widens further

when considering four-wheelers. This pricing gap has serious implications not only for individual buyers but also for businesses, particularly small and medium enterprises and logistics firms, where vehicle investments are a critical cost factor. While range anxiety and charging infrastructure concerns have begun to ease, they still add a layer of hesitation for many potential buyers, especially in less urbanized regions.

Compounding the affordability challenge is the typical Indian buyer's financial mindset. Whether it's a household purchase or a fleet investment, buying a

vehicle in India is usually a long-term decision based on maximizing utility.

Yet, this long-term thinking doesn't always translate into how people assess value. In practice, many consumers prioritize monthly expenditures over total cost of ownership. For example, a petrol scooter that costs around Rs 85,000 and runs at Rs 2.5/km may seem like a smarter buy compared to an electric scooter that costs Rs 1.3 lakh but runs at Rs 0.25/km. However, over five years and 40,000 kilometres, the EV owner might only spend about Rs 10,000-15,000 on electricity compared to Rs 1 lakh on fuel.