



MAKING INDIA CREDIT FIT

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An Insights Report by- paisabazaar.com





Naveen Kukreja,

Co-founder & CEO, Paisabazaar

India today stands tall as one of the most exciting markets in the world. We have emerged as one of the fastest-growing economies. In a population of over 140 crore, over 130 crore have a digital identity through Aadhaar, over 100 crore use the Internet, over 60 crore have smartphones and around 30 crore citizens have made digital payments through the world-class infrastructure, established through the UPI. Add to that, 65% of India's population is under 35 years, making us a young and vibrant country. Globally, it is widely believed that the next decade or two, will belong to India.

There has been a strong upsurge in the last couple of years in the financial services industry, led by gold standard digital public goods and a strong consumer sentiment. While the payments industry has led the way for financial services industry in the last 7-8 years, I strongly believe lending today is on the cusp of a paradigm shift towards its next phase of growth. India's lending market is already large with around 8 lakh crore of personal loans and ~2.5 crore credit cards disbursed /issued on an annualized basis, but it remains under-penetrated. For instance, only ~5% of the population have a credit card. Our household debt to GDP ratio is a long way behind mature markets like US and UK.

However, rapid digitization along with the new data ecosystem should act as key catalysts in the lending industry's expansion. The pandemic was a big jolt and has shifted the focus of large players towards the need to build strong digital capabilities. In the next few years, we are likely to see strong and accurate underwriting models coming into play, at lower costs. Our data-rich ecosystem, powered by credit bureaus, Aadhaar, GST and Account Aggregator, will become more relevant and strong, to usher in consumer-focused innovations and end-to-end digital processes.

The regulator has played a big part in leading the industry towards digitization, through progressive regulations and paving the way for inclusiveness. We are already seeing retail lending growing at a much higher pace in the last couple of years, and you should see the share of digital lending taking a larger size of the pie in the next 5-7 years.

The third edition of our credit insights report "Making India Credit Fit" aims to understand and analyse some of the trends leading to this fast-paced growth and identify gaps and disparity that exist. I hope you find this report useful.

Warm regards,
Naveen



Radhika Binani

Chief Product Officer, Paisabazaar

One of the earliest consumer pain-points we saw in our journey at Paisabazaar was the lack of access to credit score, which led to poor awareness and as a result, high rejection rates. To solve this, we decided to build India's first free credit score program, based on global benchmarks. Our main aim was to raise credit awareness by providing ease of checking and tracking credit score and help build a more inclusive lending ecosystem.

Over the last 7 years, we have built Paisabazaar around the credit score platform to cater to consumers across the ecosystem. Today on the Paisabazaar platform, we have multiple pre-approved Programs for super prime and prime segments, advisory services for credit-impaired consumers and an exclusive credit builder product for new to credit and sub-prime segments. We are also the only platform to offer credit reports in 7 languages.

The impact of our constant efforts towards improving credit awareness in the country can be seen with over 37 million consumers from 823 cities having used the Paisabazaar platform to check their credit scores.

Today, 9% of the credit enquiries in India take place on the Paisabazaar platform, and 14% of the country's active credit score consumers are now part of the Paisabazaar family. We have also seen a six-fold increase in the consumers from non-metros, with 75% new credit score customers from these cities and towns. Additionally, over 1 crore consumers have cleared their DPDs, and more than 58 lakh consumers increased their credit score by 25 points over 6 months, after checking their score from Paisabazaar. 58% consumers have accessed at least 1 credit product within 6 months of accessing their free credit score from our platform.

We are proud of the impact we have made in the lives of millions of Indians, and we remain committed to our goal of making credit accessible to all.

This third volume of the consumer insights report provides various insights about the changing mindset of Indian consumers towards credit. One of the big insights we found was around how young Indians are becoming increasingly comfortable with accessing credit from an early age due to ease of access and comfort in handling credit for varied needs.

As our economy continues to grow and evolve, we believe this trend will continue, with more and more young Indians utilising credit to achieve their financial goals.

PAISABAZAAR INSIGHTS STUDY COVERAGE

Since 7+ years, Paisabazaar has been running India's largest credit awareness initiative in partnership with all 4 credit bureaus. Our credit score platform enables ease of checking, tracking and building one's credit health and has helped millions of Indians.

3.7 Crore
consumers



823 Cities
across India

METROS



32%

Tier 1

- Delhi NCR
- Mumbai
- Bengaluru
- Hyderabad
- Ahmedabad
- Kolkata
- Chennai
- Pune

NON-METROS



30%

Tier 2

- Surat
- Jaipur
- Indore
- Nagpur
- Lucknow
- Bhopal
- Ludhiana
- Vadodara
- Nashik
- Coimbatore

and 84 others



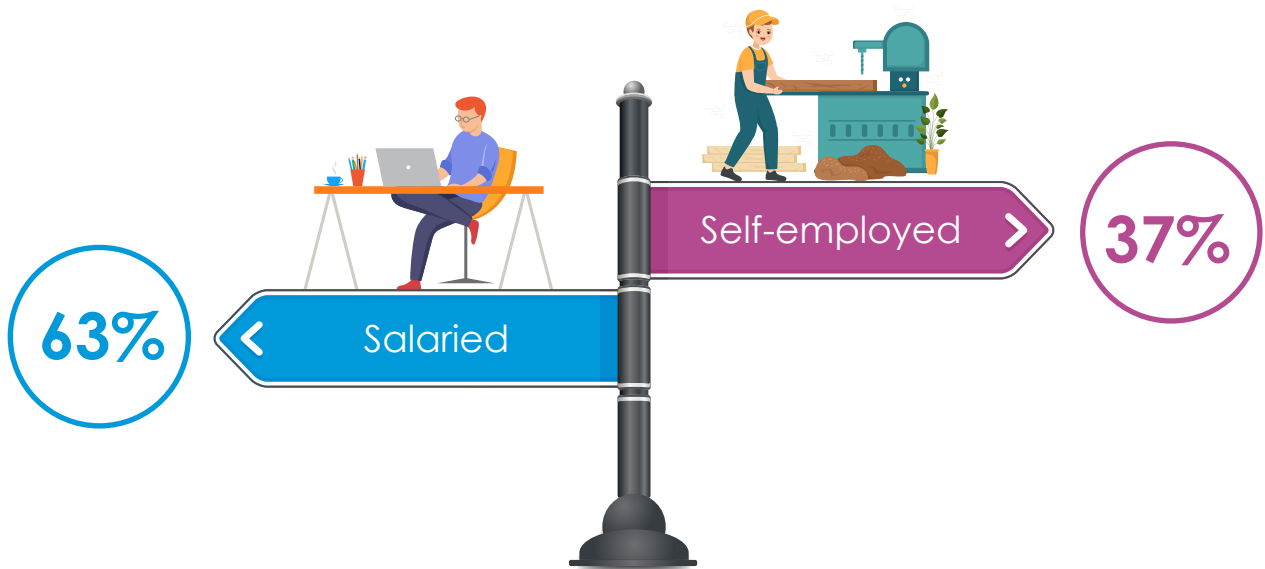
38%

Tier 3

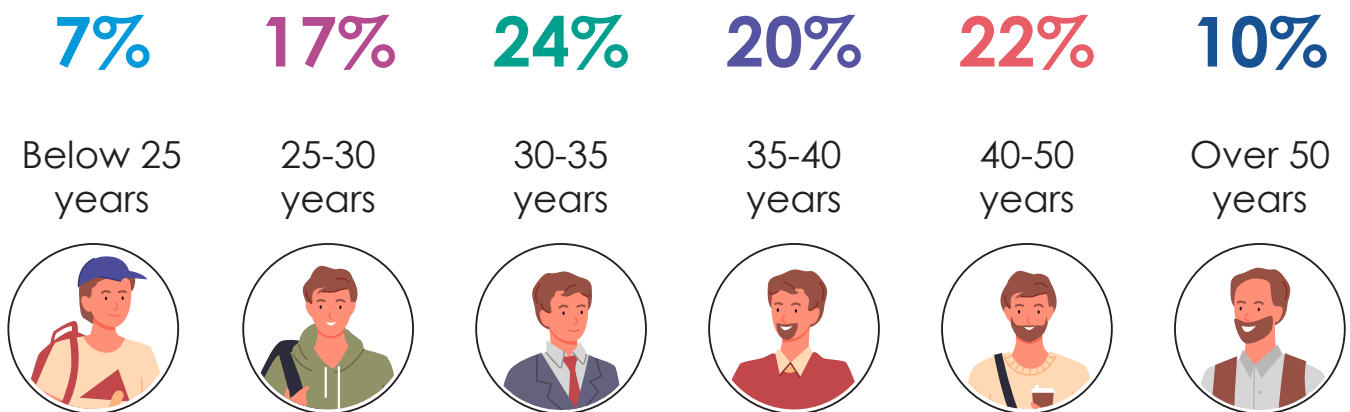
- Ahmednagar
- Patiala
- Ambala
- Alwar
- Ernakulam
- Chittoor
- Karimnagar
- Satara
- Anantapur
- Howrah

and 711 others

Paisabazaar consumers: salaried vs self-employed



Paisabazaar consumers: Age-wise





1. YOUNG INDIA BORROWING CONFIDENTLY, FINANCIAL LITERACY NEEDS TO BE PART OF FORMAL EDUCATION

India is home to the largest number of young people. As per the 2014 National Youth Policy, youth refers to people in the 15 - 29 age group and India has an astounding 53% of its population comprising youth. Our research shows an aspiration-filled and confident young India using credit with confidence for their aspirational and lifestyle needs.

Today, credit has transitioned from a traditional need-based product to an easy source to fulfil lifestyle aspirations of a confident, burgeoning and ambitious young class. Our research study led to some interesting insights on young India's increasing use of credit:

17% of new credit score consumers are under the age of 25

Over 35% of consumers accessed credit before they turned 25

Average age of 1st time credit users born in the 1990s is only 23

Consumers manage more than 3 active credit accounts in their late 20s

20% of consumers with 5+ active credit accounts are below 30

When we look at this rising access to credit among the youth in the context of reports that suggest a large part of the population remains financially illiterate, the need for education on personal finance, including responsible use of credit, becomes crucial. While easing access to credit leads to inclusiveness and greater financial harmony, it can also lead to a burgeoning debt trap.

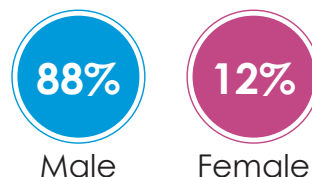
India is a growing economy but to compete with the economic superpowers, we must invest in the overall development of the population, especially in terms of financial education.



2. WOMEN STILL NOT PRIMARY BORROWERS, HIGHER PROPENSITY TOWARDS HOUSING & CONSUMER DURABLE LOANS

A significant insight from our study was around gender disparity, emphasising the need for increased awareness among women consumers. Analysing the data from Paisabazaar's vast pool of 3.7 crore credit score consumers, we observed that women constitute a mere 12%, indicating a lack of awareness regarding the importance of monitoring one's credit score.

Paisabazaar's credit score consumers



From July 2022 to June 2023, the majority of credit-related inquiries and new accounts opened were also overwhelmingly dominated by male consumers, claiming nearly 90% of both categories. We also saw a higher number of average active credit accounts managed by men (3) compared to women (2).

A deeper analysis of credit product preferences revealed intriguing insights into the choices made by men and women. Notably, women exhibited a distinct inclination towards housing loans and consumer durable loans compared to men. Between July 2022 and June 2023, 18% of credit inquiries made by women were for consumer durable loans, compared to 14% by men.

Furthermore, 4% of inquiries made by women were for housing loans, compared to 2% among men. A higher ratio of home loan inquiries by women can be attributed to the preferential interest rates extended to women on housing loans. Additionally, many states offer reduced stamp duty rates for properties registered in a woman's name, further incentivizing women's interest in housing loans. The impetus provided by the Central Government's 'Pradhan Mantri Awas Yojna,' aimed at achieving 'Housing for all,' has also seemingly significantly boosted the demand for home loans, especially among traditionally underserved sections of society.

Interestingly, women also displayed a higher preference for unsecured loans, constituting 29% of their inquiries, as compared to men's 27%. In contrast, men dominated the realm of credit card inquiries, representing 43%, while women accounted for 36% in this category.

Product-wise enquiries

	Male	Female
Credit Card	43%	36%
Personal Loan	27%	29%
CD Loan	14%	18%
Home Loan	2%	4%

Enquiries from July 2022 to June 2023



3. DESPITE RISE IN AWARENESS, CLEAR GAP IN ACCESS TO CREDIT FOR SMEs

In India, the lack of access to credit remains a significant hurdle for Small and Medium Enterprises (SMEs). Despite being the backbone of the economy, many SMEs struggle to secure loans due to various reasons, like stringent eligibility criteria, lack of documentation around income, complex processes etc. Limited credit histories, especially for newer businesses, further exacerbate this challenge.

The lack of supply for SMEs also became evident in our research, despite their rising awareness to track and build their credit history, which can be seen in a higher percentage of self-employed consumers visiting the Paisabazaar platform. In FY 23, 39% of consumers who checked their credit score on Paisabazaar were self-employed, compared to 32% in FY 19.

Our research led to some key insights that underscore the existing credit gap for SMEs when compared to salaried consumers.

Average age of first Credit Card



Average age of first Personal Loan



Approval rate for Housing Loans



Consumers who get to access credit only after 30



Average no. of active credit accounts



Consumers with 5+ active credit accounts



This credit gap hampers SMEs' growth potential, hindering their ability to invest in technology, expand operations, and create employment opportunities. Bridging this gap is crucial, requiring streamlined lending processes, improved credit assessment methods, and targeted financial initiatives to foster the growth of this vital segment.



4. BHARAT HEADED TOWARDS INCLUSIVENESS, ACCESS TO CREDIT EASING FOR NON-METROS

Consumers from 823 cities and towns across India have checked their credit score on the Paisabazaar platform. Each month, we get inquiries from over 1000 geographies in the country. One of our key objectives was to understand the disparity around access to formal credit between consumers from Tier 1 metros and those residing in Tier 2,3, and beyond locations. While a few insights from our study revealed easier access to credit for consumers in metros, it was evident that the gap may be closing with access to credit across Bharat on the rise.

75% of new credit score consumers in FY23 came from non-metros

Average age of acquiring 1st credit product similar in metros and non-metros

37% of non-metro consumers took their first credit product before 25

Approval rates for non-metro and metro consumers are similar

22% of non-metro consumers have 5 or more active credit accounts

Conversations with consumers and our research indicated that this easing of access to credit across geographies is primarily due to two reasons. The first is increased digitization, and the new data ecosystem is enabling the industry to distribute credit products through new, sustainable, and robust risk models at lower cost. The second is the rising aspiration and comfort of handling credit for consumers across the country.

However, with better access, the need of the hour is also to educate consumers on responsible credit behaviour and the importance of tracking and building one's score through the lifespan.

For instance, less than 25% of consumers in both metros and non-metros have an excellent credit profile.



5. METROS FROM SOUTH & WEST MOST CREDIT HEALTHY, BENGALURU TOPS THE LIST

Bharat's diversity can be seen not only in terms of culture and language but also in the economic landscape and financial awareness. Our study analysed the credit health of consumers from the top 10 cities and found a stark contrast between the cities of South and West India and their counterparts in the North, Central, and Eastern regions. 4 cities from South India and 4 from the Western region secure places in the top 10 list of India's most credit-healthy cities.

In contrast, the North and Eastern cities are notably under-represented, with only Delhi and Kolkata managing to secure spots in the list. That too, Delhi was at No. 6 and Kolkata No. 8 in the list.

Our research found Bengaluru to be the most credit healthy* city in India, followed by Ahmedabad, Mumbai, Pune, Chennai, and Delhi. Hyderabad, Kolkata, Surat, and Coimbatore were other cities in India's 10 most credit-healthy cities.

When we looked at the list of the top 30 credit-healthy cities, we found most were from Western India, like Nashik, Vadodara, Nagpur, and Aurangabad. Visakhapatnam and Guntur from South India also made to the list. In contrast, only Jaipur, Lucknow, Chandigarh, Bhopal, and Rajkot from North and Central India secured places in the top 30 list.

According to reports, consumers from south India, and to an extent from Maharashtra, were more likely to opt for personal loans compared to the rest of the country. The major reasons for higher demands were higher economic activity, rapid urbanisation, and more awareness about loan products. A flourishing IT sector in Bengaluru and Hyderabad has contributed to a great demand for home loans.

Top 10 credit healthy cities



*Healthy credit score taken as 770+

Source: Analysis of Credit Reports of Paisabazaar Consumers (as of July, 2023)

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HOW IS CREDIT AWARENESS RISING IN INDIA?

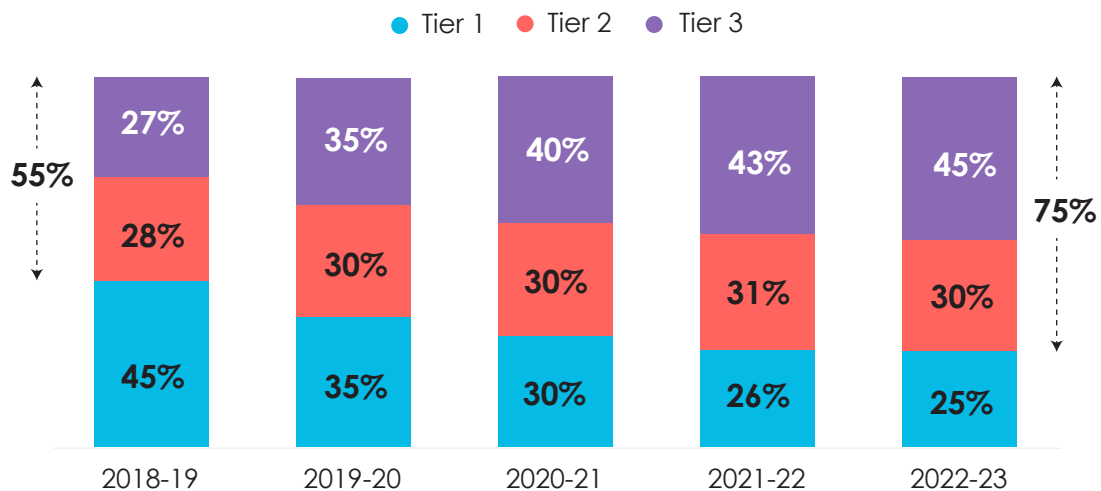




BHARAT BECOMING CREDIT AWARE: 75% NEW CONSUMERS FROM NON-METROS IN FY23

India is steadily becoming credit-aware. Over the last few years, we have seen an increasing number of consumers checking and tracking their credit scores on Paisabazaar. These consumers visiting the Paisabazaar platform are from varied segments across income levels, credit profiles, and geographies across India.

6X Growth in consumers from tier 2 & 3 cities



With time, we have seen a remarkable shift in consumers from Bharat, becoming more aware of their credit health. In FY19, 45% of consumers who checked their credit score on Paisabazaar came from metros, while 28% and 27% came from Tier 2 and 3 cities.

Since then, the share of consumers from Tier 2 and Tier 3 cities has increasingly gone up each year. Last year, 75% of new credit score consumers visited Paisabazaar from non-metros, while only 25% came from the Top 8 metros.



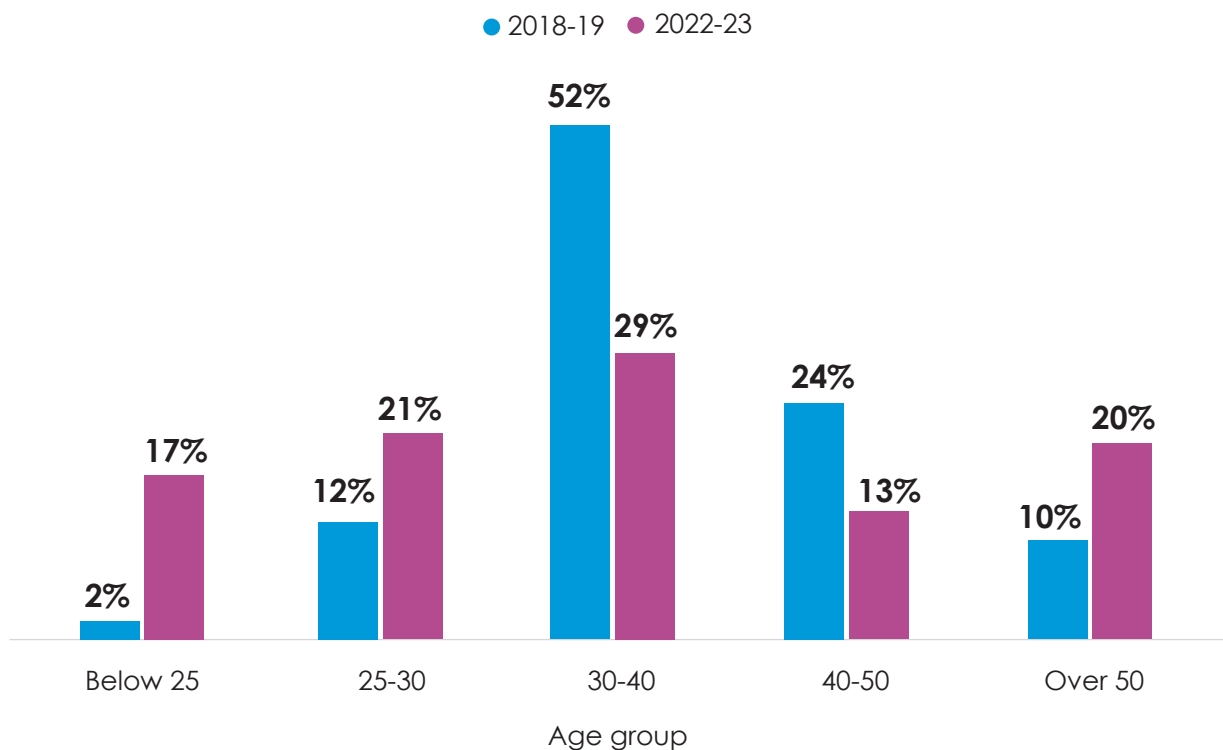
II

YOUNG INDIA GETTING CREDIT AWARE, 37% OF NEW CREDIT SCORE CONSUMERS UNDER 30

A significant finding from our research highlights the increasing awareness of credit health among young consumers. In FY19, 14% of individuals who checked their credit scores on the Paisabazaar platform were under the age of 30, and 52% were in the 30-40 age group. However, we observed that the landscape is shifting considerably, with a significantly higher ratio of younger consumers coming to the Paisabazaar platform to access their free credit score over time. By FY23, a noteworthy 38% of Paisabazaar's new credit score consumers were under the age of 30, including 17% who were under 25, and less than 30% were in the 30-40 age group.

This trend of growing awareness around credit among the younger demographic can be attributed to the increasing comfort and confidence of young Indians in using credit to fulfil their diverse needs and aspirations.

Sharp increase in younger consumers checking credit score

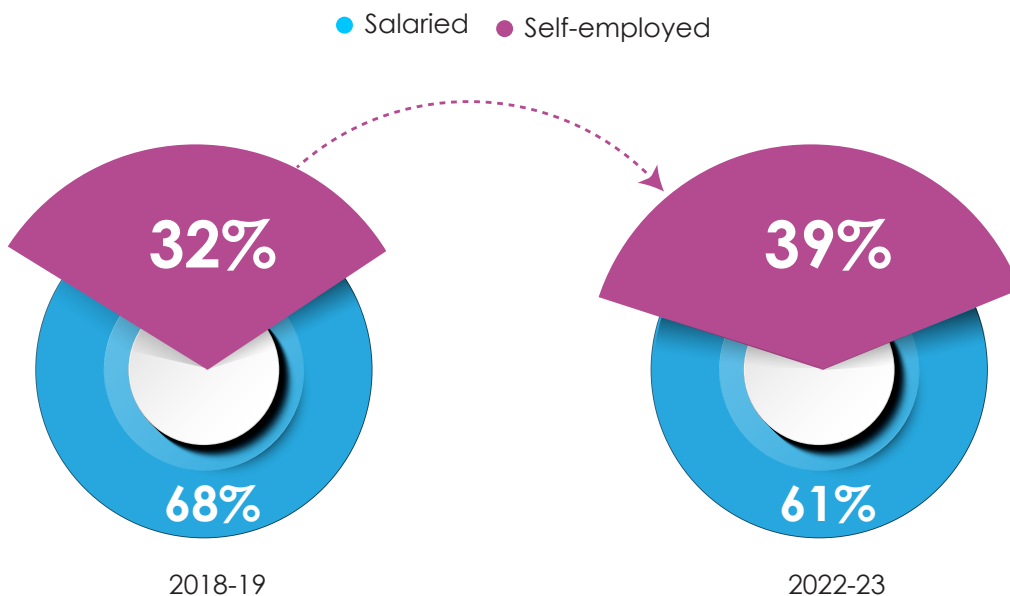




III STEADY RISE IN CREDIT AWARENESS AMONG SELF-EMPLOYED

Traditionally, MSMEs in India have been credit-starved, as banks and large NBFCs have found it challenging to assess their creditworthiness and the associated risk due to various reasons like lack of documentation, collateral and inadequate credit history. However, with rapid digitization, Internet banking, UPI, and the advent of GST, the scenario is changing swiftly, with lenders building robust underwriting models to help India's self-employed community easily access credit.

Rise in self-employed consumers accessing credit score



At Paisabazaar, too, we have seen a steady rise in the credit awareness of our self-employed consumers, with a higher proportion visiting our platform to access their credit scores. Five years ago, 32% of consumers who checked their credit score on Paisabazaar were self-employed, while 68% were salaried.

Over the years, we have seen a steady increase in self-employed consumers coming to the Paisabazaar platform to check and track their credit scores. In FY23, 39% of the consumers who have checked their credit score on our platform for the first time are self-employed.

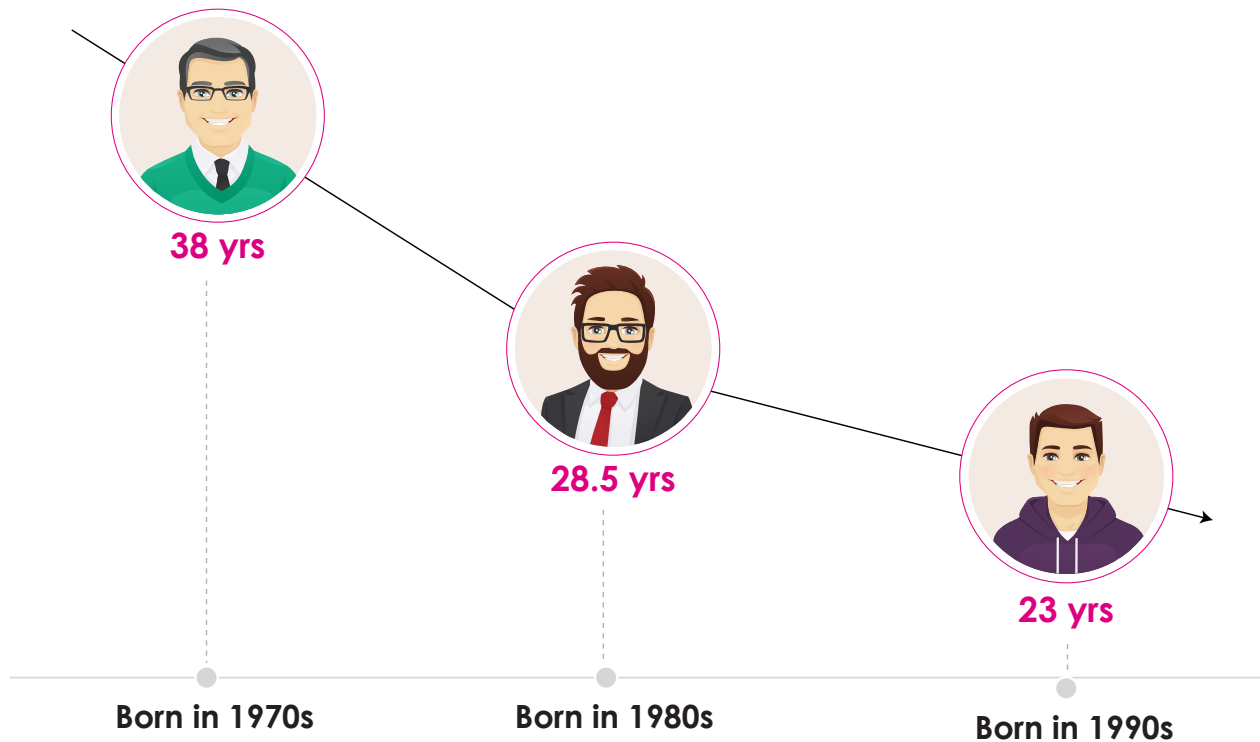
AT WHAT AGE DID CONSUMERS TAKE THEIR FIRST CREDIT PRODUCT?





IV AGE OF ACCESSING FIRST CREDIT PRODUCT REDUCING DRASTICALLY

Emergence of the young Indian retail borrower



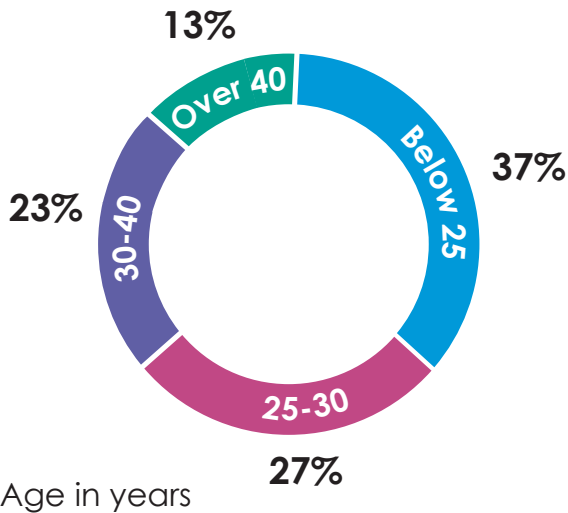
One of the key insights from our research was the growing ease with which consumers today are accessing credit. A significant revelation from our study is the evolving pattern around the use of credit among consumers, underscoring a shift towards early engagement with credit. Our analysis found a distinct disparity in the age at which consumers from different age groups engaged with credit for the first time. Notably, individuals born in the 1970s, currently aged in their early to mid-40s or early 50s, embarked on their credit journey at an average age of 38.

In contrast, those born in the 1980s, now in their early to mid-30s or early 40s, accessed credit for the first time at an average age of 28. And in continuation of this trend of decreasing age of first credit access, consumers born in the 1990s, now in their early to mid-20s or early 30s, took their first credit product at the age of 23.

This trend clearly highlights the change in consumer mindset around credit over the years, moving away from a need-based approach to a lifestyle-based use of credit.

Close to 40% of consumers took their first credit product before turning 25

Age at which consumers take first credit product



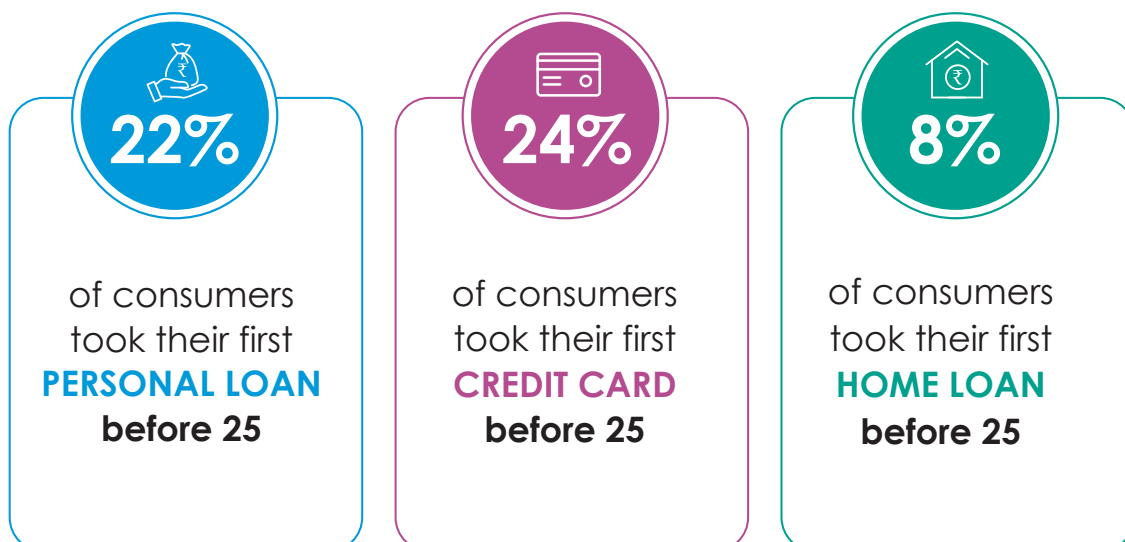
With rising awareness and ease of access, a large number of consumers are using credit for varied needs and from an early age. Our research found that 64% of our consumers acquired their first credit product before they turned 30. Among these, a notable 37% were under 25.

Only 23% of consumers accessed credit for the first time between 30 and 40 years of age, while another 13% used credit after turning 40.

Over 20% of consumers took their first PL & credit card before turning 25

While the average age for most credit products was in the early 30s, we saw that 53% of consumers took their first personal loan before reaching the age of 30. We also found that 22% of the personal loan consumers were under the age of 25. Similarly, 57% took their first credit card before turning 30. 24% availed a credit card even before the age of 25.

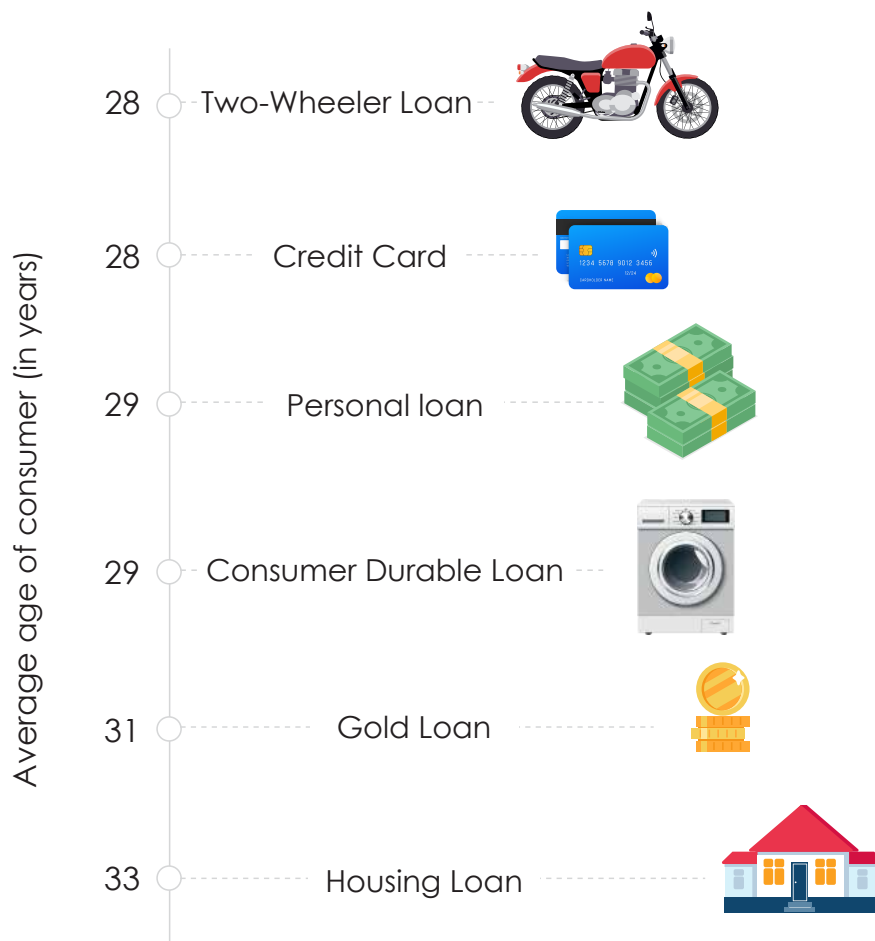
When we compared the average age of first-time personal loan and credit card takers with first-time home loan consumers, we found the latter were slightly older. Over half of the consumers took their first personal loan or credit card before they turned 30, whereas only 31% of them took their first home loan before 30, and, expectedly, a small ratio of only 8% took it before 25. Moreover, 45% of first-time home loan borrowers were between the ages of 30 and 40.



Typical age of first credit card taker is 28, first home loan is at 33

Our data found an interesting insight into the age at which consumers first engage with various credit products. Consumers interact with varied products at different stages of their lives, reflecting different financial needs and life-goals.

The average age when consumers took their first credit card was 28, while the average age for the first personal loan and the consumer durable loan was 29. On the other hand, our study showed home loans, which are life-goal-based and usually of high ticket size, are consumed at a later stage, at an average age of 33.



I love gadgets and wanted to buy the latest smartphone which had just launched, but with my salary could not afford it. I was ecstatic when I was able to buy it on EMI (through a CD loan). Since then I have bought many items including a big TV and a play station on EMIs.

- Virat Kaushik, 28, Delhi

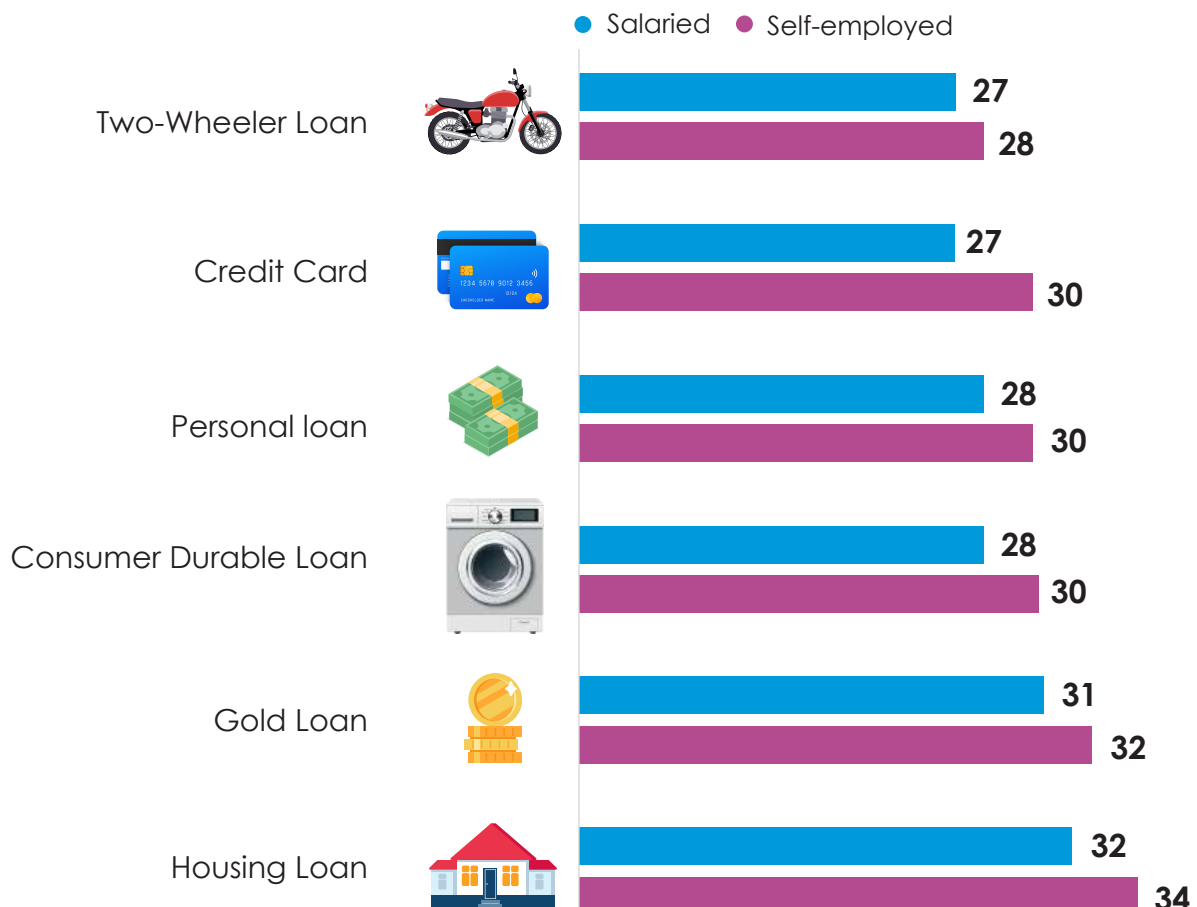


V SALARIED CONSUMERS ACCESS CREDIT EARLY

Salaried consumers, traditionally, have had easier and earlier access to credit, especially those employed by the government and large MNCs and corporates. They have a more stable income and employment history, along with availability of proper income and employment proof, making them a preferred choice for banks and NBFCs. Self-employed consumers, on the other hand, often have variable income; a large share of earnings may be in cash and unaccounted for; and they usually lack the required income proof, making them a riskier prospect for most banks and NBFCs.

Our research also indicates that salaried consumers tend to access credit for the first time at a younger age than self-employed consumers, for most credit products.

Average age of opening first account (Salaried vs Self-employed)



#Median age has been taken as average age
 Source: Analysis of Credit Reports of Paisabazaar Consumers (as of July, 2023)



VI

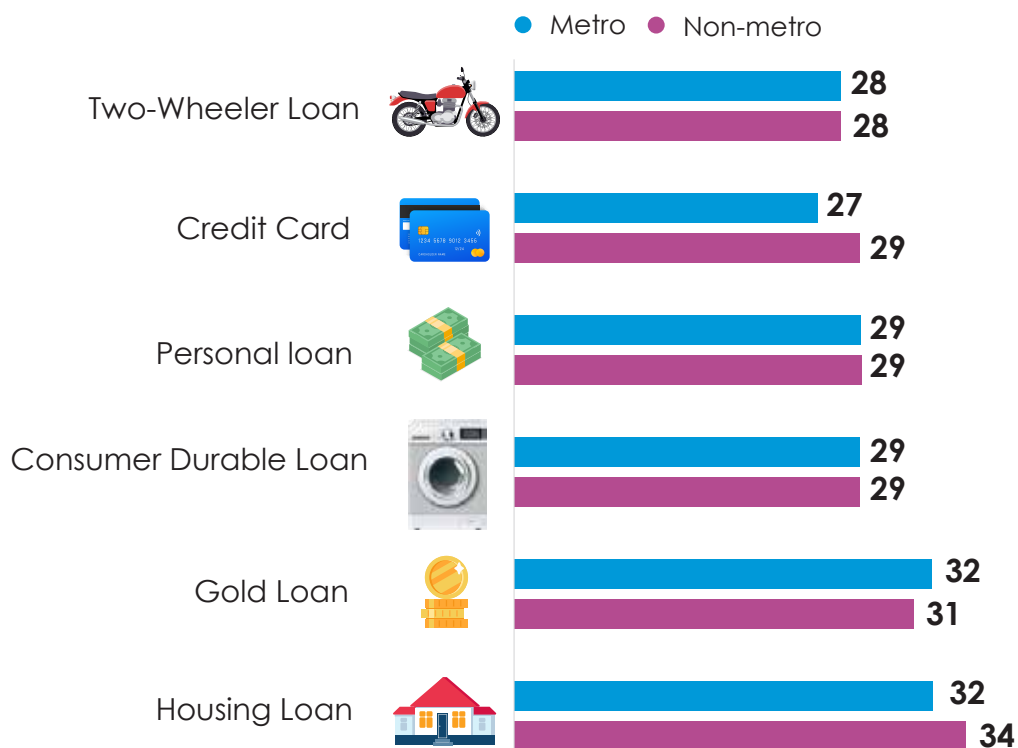
METRO, NON-METRO CONSUMERS ACCESS CREDIT FIRST TIME AT SIMILAR AGE

While we saw a slight disparity in terms of average age of first credit between salaried and self-employed segments, our research found no such pattern between consumers from metro and non-metro cities. We found both metro and non-metro consumers access credit across products at a similar age.

For instance, the average age for opening the first two-wheeler loan account is 28 for both metro and non-metro consumers. Similarly, the average age for taking the first personal loan and the consumer durable loan is 29, which is also similar for both groups.

However, we found slight differences in the average age of opening the first gold loan account, where non-metro consumers were in fact slightly younger than metro consumers. It was only in the case of housing loans, that metro consumers had access to them for the first time at a slightly younger age.

Average age of opening first credit account (Metro vs Non-metro)



#Median age has been taken as average age

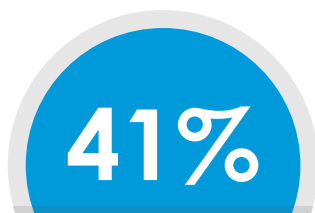
Source: Analysis of Credit Reports of Paisabazaar Consumers (as of July, 2023)

40% of salaried & metro consumers took 1st credit before 25

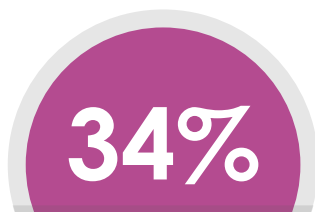
Our study revealed that 41% of salaried consumers took their first credit product before turning 25, while 34% of self-employed consumers took their first credit product under the same age. This indicates that young salaried consumers are becoming more credit savvy.

While 26% of self-employed consumers took their first credit product within the age group of 30 and 40, only 21% of salaried consumers took their first credit product between the same ages.

We also saw that the proportion of both salaried and self-employed consumers decreased over the age of 40, as only 8% of salaried and 14% of self-employed consumers took their first credit product.



Salaried consumers took their first credit product **before 25**

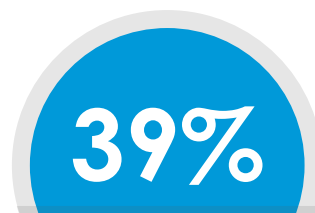


Self-employed consumers took their first credit product **before 25**

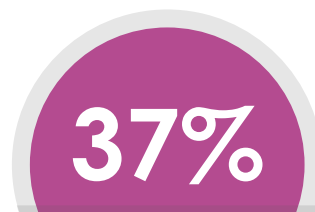
Our insights study found that the age at which metro and non-metro consumers took their first credit product is relatively similar.

While 39% of metro consumers took their first credit product before reaching the age of 25, the proportion of non-metro consumers was 37%.

Additionally, 23% of metro and non-metro consumers took their first credit product between the ages of 30 and 40. This indicates that a large population of consumers residing in both metro and non-metro cities are accessing credit early.



Metro consumers took their first credit product **before 25**



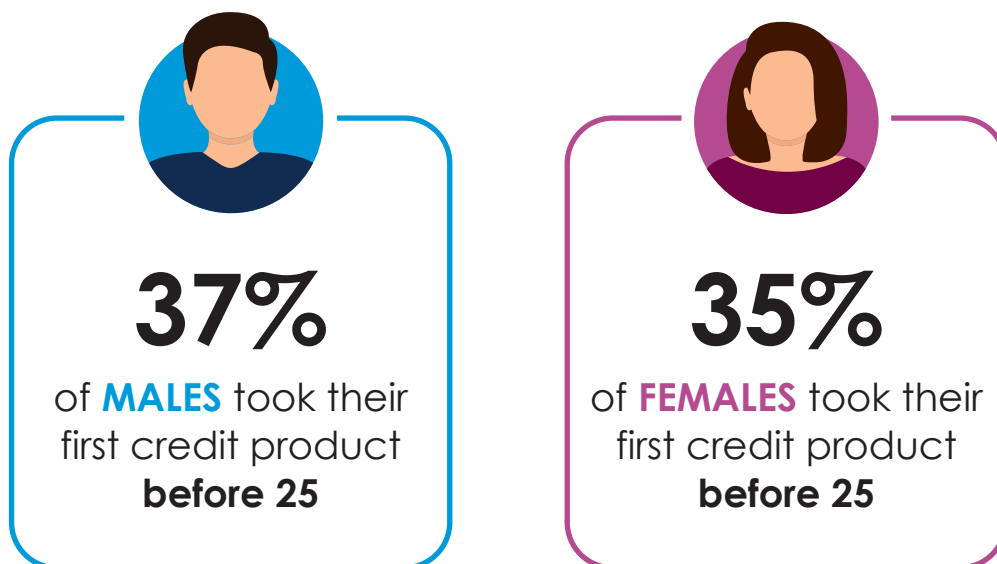
Non-metro consumers took their first credit product **before 25**



VII

BOTH MALE AND FEMALE CONSUMERS TAKE THEIR FIRST CREDIT PRODUCT AT A SIMILAR AGE

When we looked at the gender-wise distribution of consumers taking their first credit product, we found that male and female consumers had almost similar proportions. While 65% of the male consumers took their first credit product before reaching the age of 30, the proportion of female consumers was 62%.



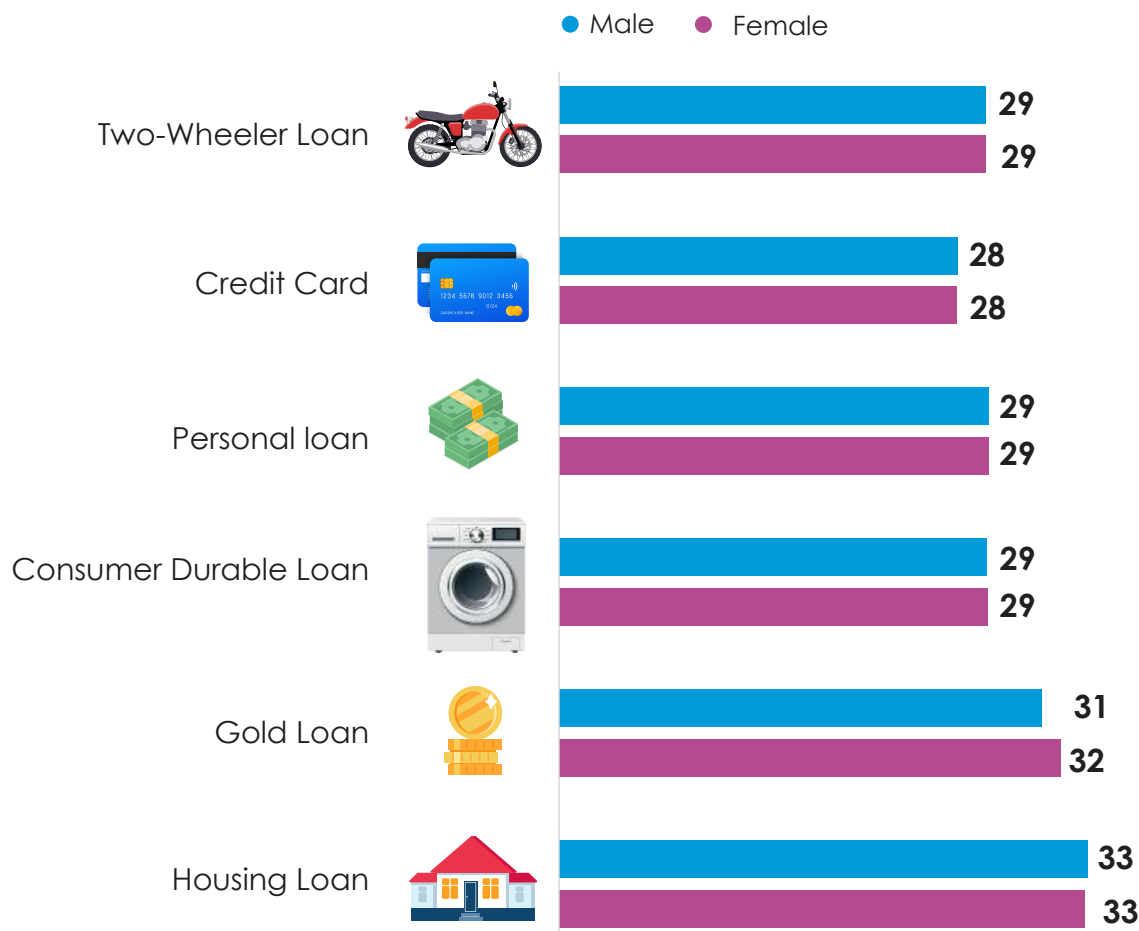
We also found that 37% of the male consumers taking their first credit product were under the age of 25. Similarly, 35% of the female consumers took their first credit product under the same age.

Our research shows that both male and female consumers acquire various credit products for the first time at a similar age. Both male and female consumers took their first two-wheeler loan at the average age of 29 years. This trend continues with the first personal loan and consumer durable loan, where the average age remains 29 for both male and female consumers.

For secured loans like gold loans, male consumers consume them at a younger age of 31, while female consumers consume them at 32. However, when it comes to home loans, both male and female consumers consume them at a similar age of 33.

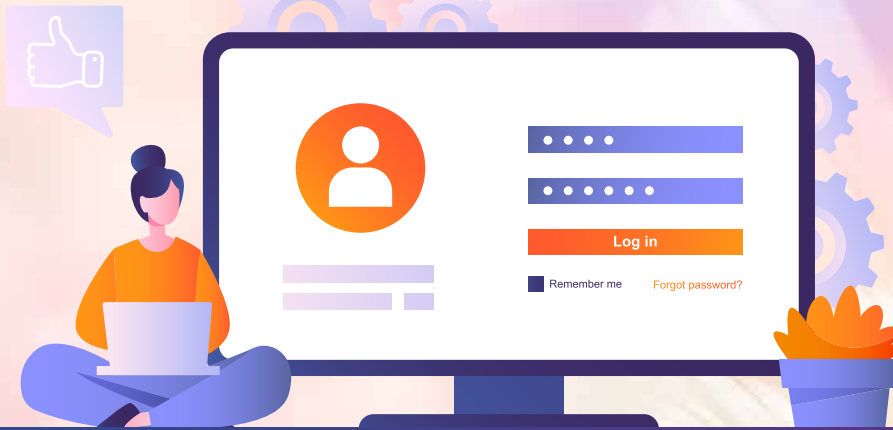
A similar trend goes for credit cards as well, where both male and female consumers consumed their first credit card at a similar age of 28.

Average age at the time of opening the first account (Male vs Female)



HOW MANY ACTIVE CREDIT ACCOUNTS DO CONSUMERS HAVE?





VIII

25% OF CONSUMERS HAVE 5 OR MORE ACTIVE CREDIT ACCOUNTS

Over the past decade, we have witnessed a steady shift in consumers' relationship with credit. Traditionally, credit was viewed as a burden, with an emphasis on saving, frugality, and debt avoidance.

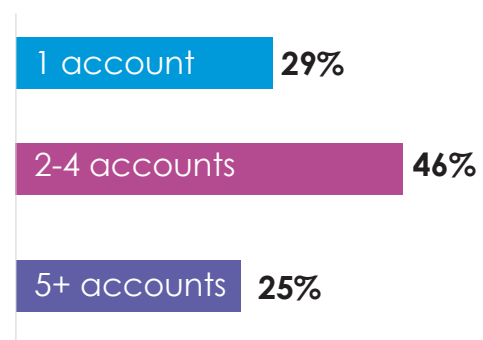
Credit was seen as the last resort to be utilised only in times of dire necessity like medical emergencies, house purchases, etc. Many also viewed credit consumption as a sign of financial instability. But over the years, there has been a clear shift in the consumer mindset and resultant behaviour.

Conversations with consumers indicated a growing comfort in accessing credit for aspirations and lifestyle choices. Younger generations, in particular, have shown a greater willingness to utilise credit for travel and other lifestyle purposes.

3.5

Average no. of active credit accounts

Consumers with active credit accounts



A recent survey by Paisabazaar also showed that 1 in 5 personal loans taken today is used for holiday-related expenses. Of all the survey participants, 21% who availed personal loans from the Paisabazaar platform between January 1, 2023, and June 30, 2023, used them for holiday-related expenses such as flight tickets, hotel bookings, and some miscellaneous spending like vacation shopping, etc.

This shift is also evident in the number of credit accounts held by our consumers. 25% of consumers who checked their credit score on Paisabazaar currently hold 5 or more active credit accounts. Another 46% have 2 to 4 active credit accounts, while 29% have only 1 active account.

Our research also revealed that, on average, each consumer who uses the Paisabazaar platform has 3.5 active credit accounts, which could include credit cards, personal loans, home loans, gold loans, or other credit products.

This shift is also attributed to various factors including increased digitization that has eased access and shift in consumer mindset. The once heavy-burden associated with credit is now becoming a strategic financial resource for many new-age consumers.

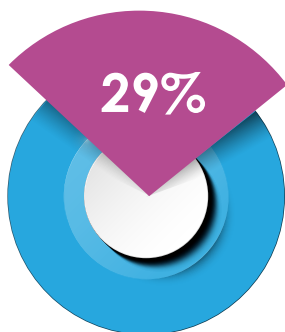


IX

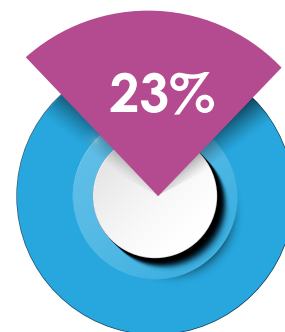
~30% OF SALARIED & METRO CONSUMERS HAVE 5 OR MORE ACTIVE CREDIT ACCOUNTS

Our research underscores India's growing comfort and confidence with credit, yet it illuminates a disparity between salaried and self-employed individuals in accessing credit. Factors such as documentation requirements and income stability have generally made it easier for salaried consumers to secure credit compared to their self-employed counterparts.

Salaried consumers with 5 or more active credit accounts



Self-employed consumers with 5 or more active credit accounts



Our analysis of the number of active credit accounts further highlights this gap. Our research revealed that salaried consumers tend to have a more extensive credit portfolio. Specifically, 29% of salaried consumers possess more than 5 active credit accounts, in contrast to 23% of self-employed consumers with a similar number of active accounts.

3.8

Average no. of active credit accounts of salaried

3.4

Average no. of active credit accounts of self-employed

This gap becomes even more evident when examining the average number of active credit accounts held by each group. Salaried consumers maintain an average of 3.8 active credit accounts, whereas their self-employed counterparts manage 3.4 active credit accounts.

These findings underscore the challenges faced by self-employed individuals in accessing credit and highlight the need for a more inclusive credit environment for all segments, including the traditionally under-served ones.

Our research also revealed a slight disparity between the number of accounts held by consumers in metros versus their counterparts residing in non-metros. 30% of metro consumers maintain 5 or more credit accounts, whereas 22% of consumers residing in tier 2 and tier 3 cities have a similar number of active accounts.

Metro consumers with 5 or more active credit accounts



Non-Metro consumers with 5 or more active credit accounts



This gap is also apparent when we delve into the average number of active credit accounts held by these two demographic segments. Metro consumers, on average, manage 3.9 active credit accounts, while non-metro consumers maintain an average of 3.3 active credit accounts.

3.9

Average no. of active credit accounts of Metros

3.3

Average no. of active credit accounts of Non-metros

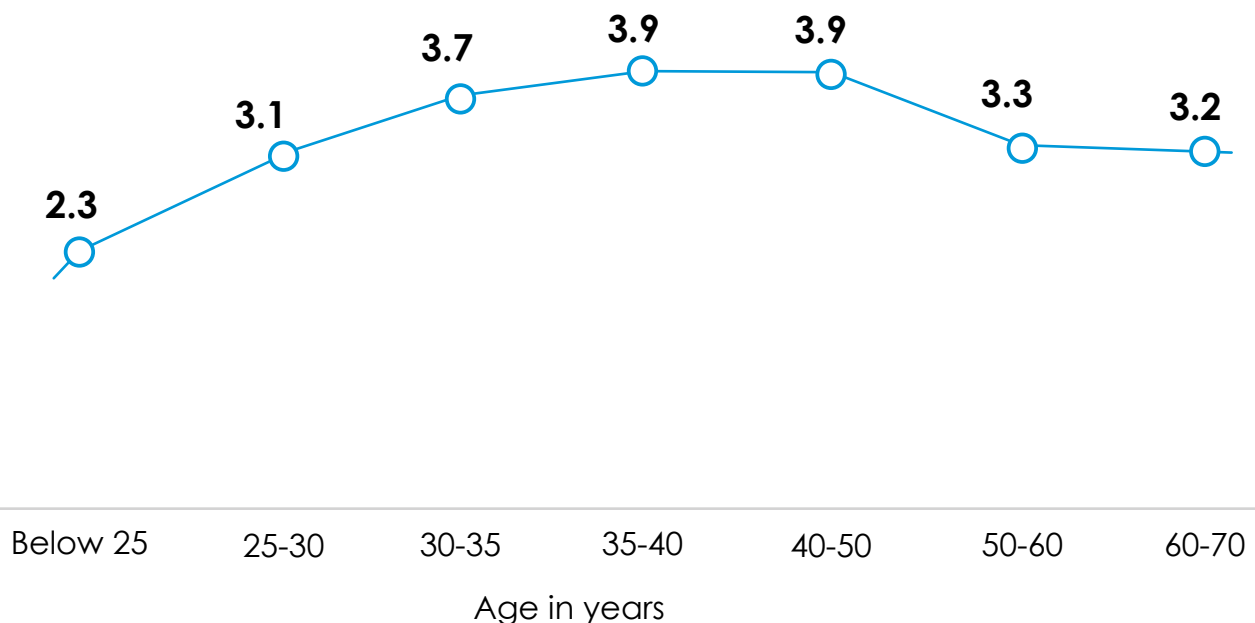


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NUMBER OF ACTIVE CREDIT ACCOUNTS PEAK OVER THE AGE OF 35

When we analysed the number of active credit accounts managed by various age groups, it revealed valuable insights on how consumers manage credit across different stages of life.

Average number of active credit accounts managed by various age groups

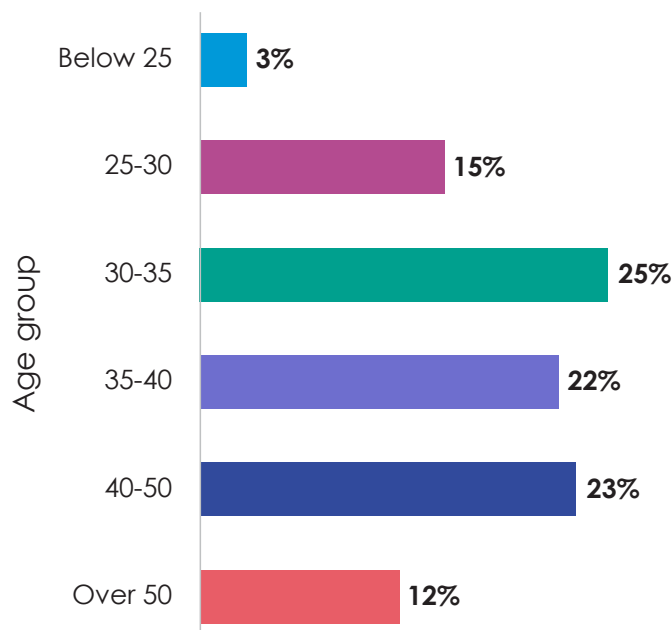


Among individuals under the age of 25, the average number of credit accounts stands at 2.3, indicating a relatively modest credit portfolio. As individuals progress into their late 20s and early 30s, there is a noticeable increase in credit activity, with an average of 3.1 credit accounts. A significant uptick in credit usage becomes apparent among those aged 30 to 35, where the average number of active credit accounts rises to 3.7. This further rises to a peak of 3.9 accounts when consumers reach their late 30s (35-40 age group), and it continues well into the 50s.

As consumers enter their 50s, we see a steady decrease in the average number of credit accounts. For the 50-60 age group, it reaches 3.3 and further decreases to 3.2 in the 60+ age-group.

Our research indicates a general increase in credit activity through the early and middle stages of adulthood, with individuals starting early in their working lives and going on to actively manage multiple credit accounts, particularly in the late 30s. It's only in the 50s, that we see the number of credit accounts moving downward, suggesting less dependence and a more conservative approach to credit usage, along with changing financial needs and priorities in the later stages of life.

47% of consumers with over 5 credit accounts are between 30 & 40 years



While we have seen access to credit easing across Bharat over the last few years, due to increased digitization and steady democratisation of data, current data shows there still exists a significant metro and non-metro disparity in credit access.

This indicates the need for digitization to become more real on-ground to ease the distribution of credit and a sharper focus from large lenders and fintechs to bridge this gap and ensure a more equitable credit landscape for consumers across diverse geographical backgrounds.

Our research also revealed notable trends in credit usage across various age groups. Not surprisingly, the age group with the most extensive use of credit is consumers between 30 and 35 years of age, where a substantial 25% manage over 5 credit accounts. Following closely behind are consumers aged 35 to 40 (22%) and 40 to 50 (23%), displaying a similar pattern of maintaining over 5 credit accounts.

Interestingly, even younger consumers below the age of 30 demonstrate a consistent pattern of regular credit usage, with 18% of the demographic managing over 5 credit accounts.



XI

INDIA'S MOST POPULAR CREDIT BASKET: 2 CREDIT CARDS, 1 PERSONAL LOAN

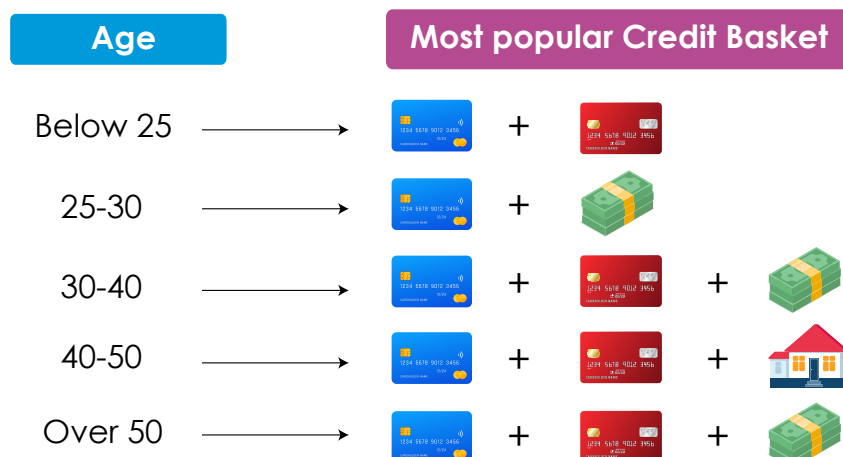
A key focus point of our research was to closely study the type of credit usage during a consumer's life-span. When we analysed the most popular credit basket, comprising various combinations of credit products, we saw that from the age of 30 to 60, consumers on average manage 3 credit accounts, with the most popular basket consisting of 2 credit cards and 1 personal loan.

Under the age of 25, credit cards were the most popular choice, with the majority opting for two credit cards, underscoring the growing popularity and increased awareness around the benefits of credit cards among young professionals.

The age group of 25 to 30 witnesses a subtle shift, with consumers seeking a blend of convenience and financial support. Here, the combination of 1 credit card and 1 personal loan emerges as the preferred choice. Among the consumers in their early 30s, 2 credit cards and 1 personal loan were the most popular combinations.

In the pivotal phase between 40 and 50 years, the preference diversifies. credit cards persist, but now they are complemented by housing loans, reflecting financial maturity and focusing on fulfilling life-goals like buying a house.

Beyond the age of 50, we again see personal loan return to the most popular product combination, probably due to reasons like children's higher education, or marriage or perhaps increased medical expenses.



HOW IS INDIA'S CREDIT HEALTH, WHO IS MORE CREDIT HEALTHY?





XII

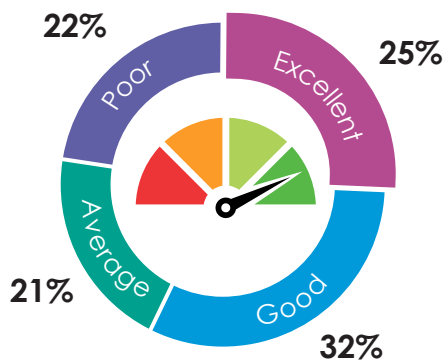
SALARIED CONSUMERS ARE MORE CREDIT HEALTHY THAN SELF-EMPLOYED CONSUMERS

While we are seeing rising awareness among self-employed consumers when it comes to checking their credit score, we found lack of access to be a major challenge. Another key insight our study revealed was that salaried consumers are also credit healthier than the self-employed segment.

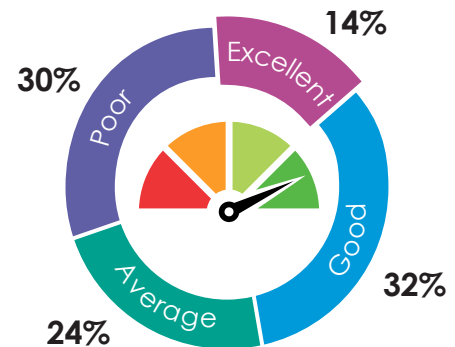
While over 25% of salaried consumers have an excellent credit score of 770 and above, we found only 14% of self-employed consumers with that strong credit profile. Both segments had 32% of consumers who had a good credit score.

The contrast revealing a higher share of credit damaged consumers among the self-employed segment could be easily seen with 30% having a poor credit score in comparison to 22% of salaried consumers.

Score band division of salaried consumers



Score band division of self-employed consumers



Excellent Score: Above 770 | Good Score: 731-770 | Average Score: 681-730 | Poor Score: 680 & below

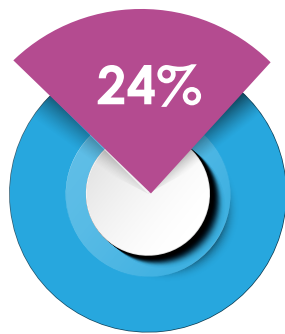


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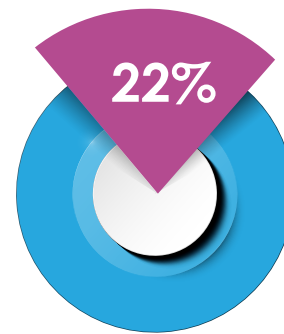
METROS SLIGHTLY MORE CREDIT HEALTHY, BENGALURU IS INDIA'S MOST CREDIT HEALTHY CITY

As per our research, 24% of consumers from top metro cities have a strong credit score. This is only slightly higher than non-metros, where 22% of consumers have a strong credit score, signifying parity in credit behaviour between metro and non-metro consumers.

Consumers from Metros with a healthy credit score



Consumers from Non-metros with a healthy credit score



Bengaluru has the most credit-healthy consumers among metros

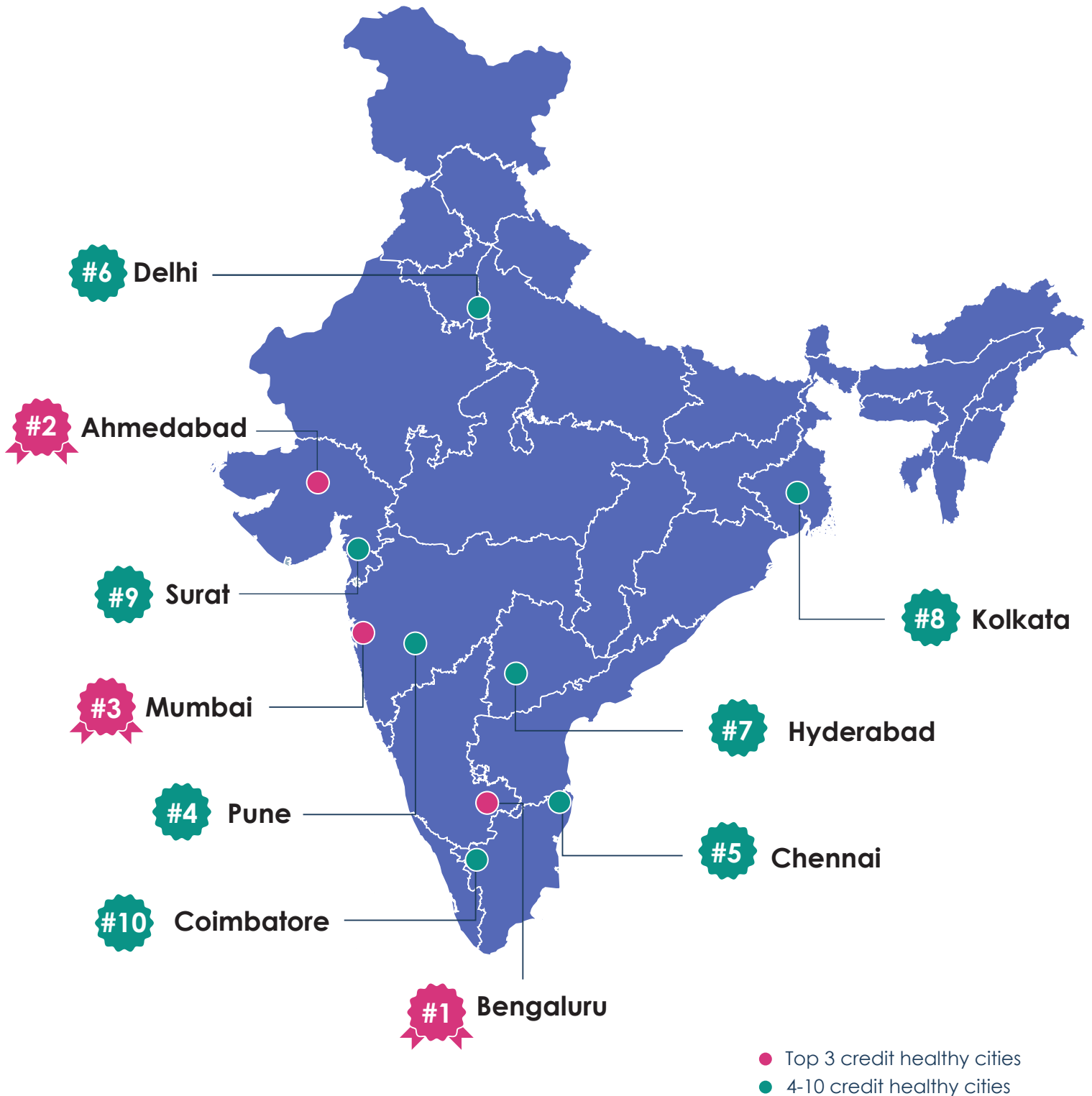
When we looked into the list of the top 10 cities with healthy* credit scores, we found that among the top 10 most credit-healthy cities, Bengaluru has the highest ratio of credit healthy consumers. Following closely were Ahmedabad, Mumbai and Pune. Next up in the top 10 were Chennai, Delhi, and Hyderabad which also had healthy credit scores.

Interestingly, Surat and Coimbatore, which are non-metro cities, also secured places in the list of the top 10 credit-healthy cities.

*Healthy credit score taken as 770+

Source: Analysis of Credit Reports of Paisabazaar Consumers (as of July, 2023)

India's most credit-healthy cities: Domination by south & west



Credit healthy cities (#11 to #20): Chandigarh, Visakhapatnam, Lucknow, Patna, Indore, Jaipur, Ludhiana, Nashik, Nagpur, Bhopal.

*Healthy credit score taken as 770+

Source: Analysis of Credit Reports of Paisabazaar Consumers (as of July, 2023)

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XIV

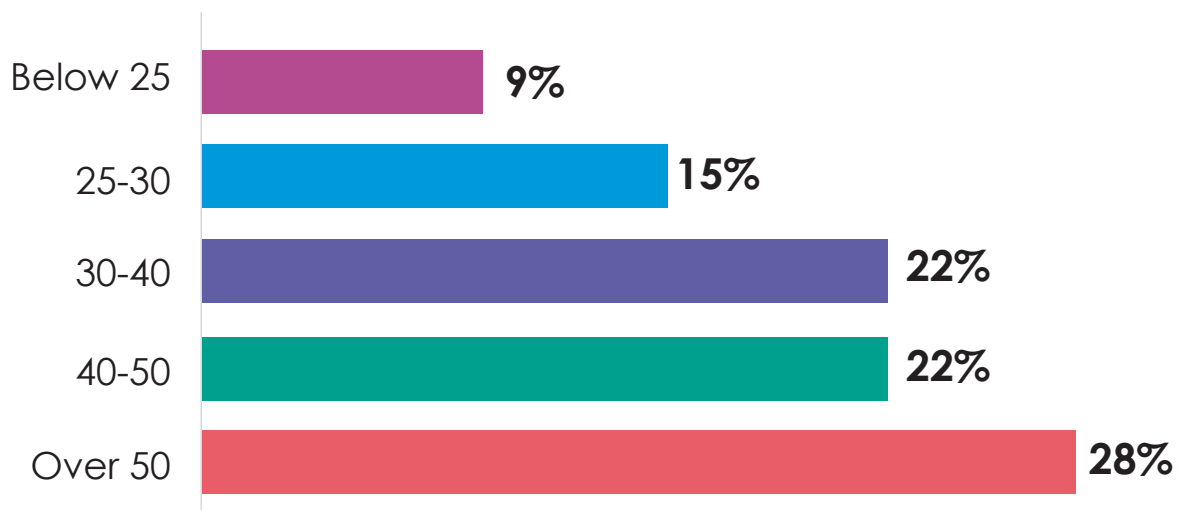
CREDIT HEALTH SIGNIFANTLY STRONGER AMONG OLDER CONSUMERS

When we analysed the ratio of healthy consumers in each age bracket, we observed that credit health is directly proportional to age, with credit profile improving with age. Our research indicates that older consumers are clearly more adept in handling credit, leading to stronger scores. Consumers in the age group 50 years and above are most credit healthy*, with 28% of them having an excellent credit score of over 770.

At 22%, a lesser proportion of consumers in the age groups of 30-40 and 40-50 are credit healthy. This goes further down to 15% in the 25-30 age bracket. Our youngest consumers are least credit healthy with only 9% under 25 years having an excellent credit score.

This clearly indicates better credit behaviour among the older age-groups, underscoring the need for consumer education among young Indians.

Ratio of credit healthy consumers



*Healthy credit score taken as 770+

Source: Analysis of Credit Reports of Paisabazaar Consumers (as of July, 2023)



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MALE & FEMALE CONSUMERS HAVE SIMILAR CREDIT HEALTH, BUT FEWER FEMALES TRACK CREDIT SCORE

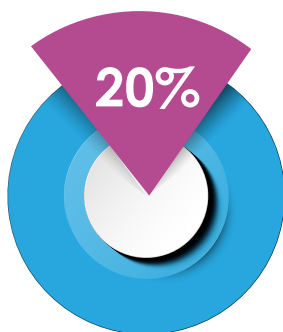
Our research found no difference in the credit health of male and female consumers. 20% of our male consumers have a healthy credit score*, compared to 19% of the female consumers who have a strong credit score.

However, 88% of our consumer base comprises males with only 12% representing females. When we analysed the credit inquiries made and new credit accounts opened between July 2022 and June 2023, we saw a similar pattern, with male consumers having around 90% share, indicating females are still not the primary borrowers.

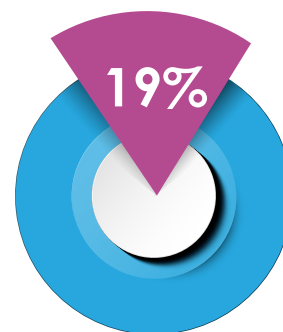
When we analysed the types of inquiries made by each gender, we saw female consumers more inclined towards home loan and consumer durable loan.



Males with healthy credit score



Females with healthy credit score



Product-wise enquiries

	Male	Female
Credit Card	43%	36%
Personal Loan	27%	29%
Consumer Durable Loan	14%	18%
Home Loan	2%	4%

Enquiries from July 2022 to June 2023

*Healthy credit score taken as 770+

Source: Analysis of Credit Reports of Paisabazaar Consumers (as of July, 2023)

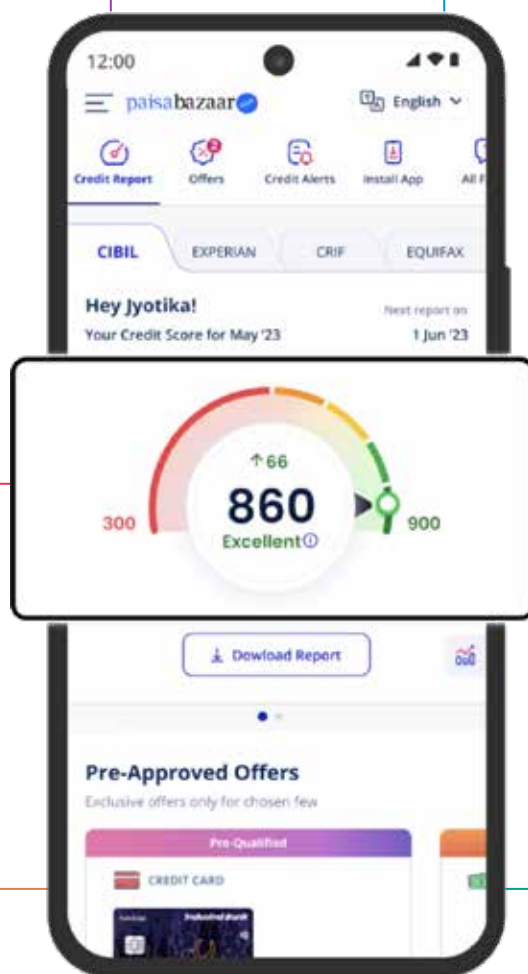
PAISABAZAAR SERVING THE CREDIT NEEDS OF BHARAT



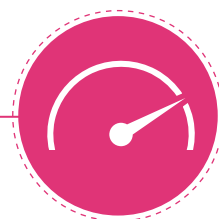
Ease of access
to credit score via
Whatsapp



Lifetime free credit score
with monthly updates



Free credit report
in 7 languages



Credit reports
from all 4 credit bureaus



Detailed credit health report
with score trends



Advisory and alert services
for credit impaired and
new-to-credit users



Pre-approved offers
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