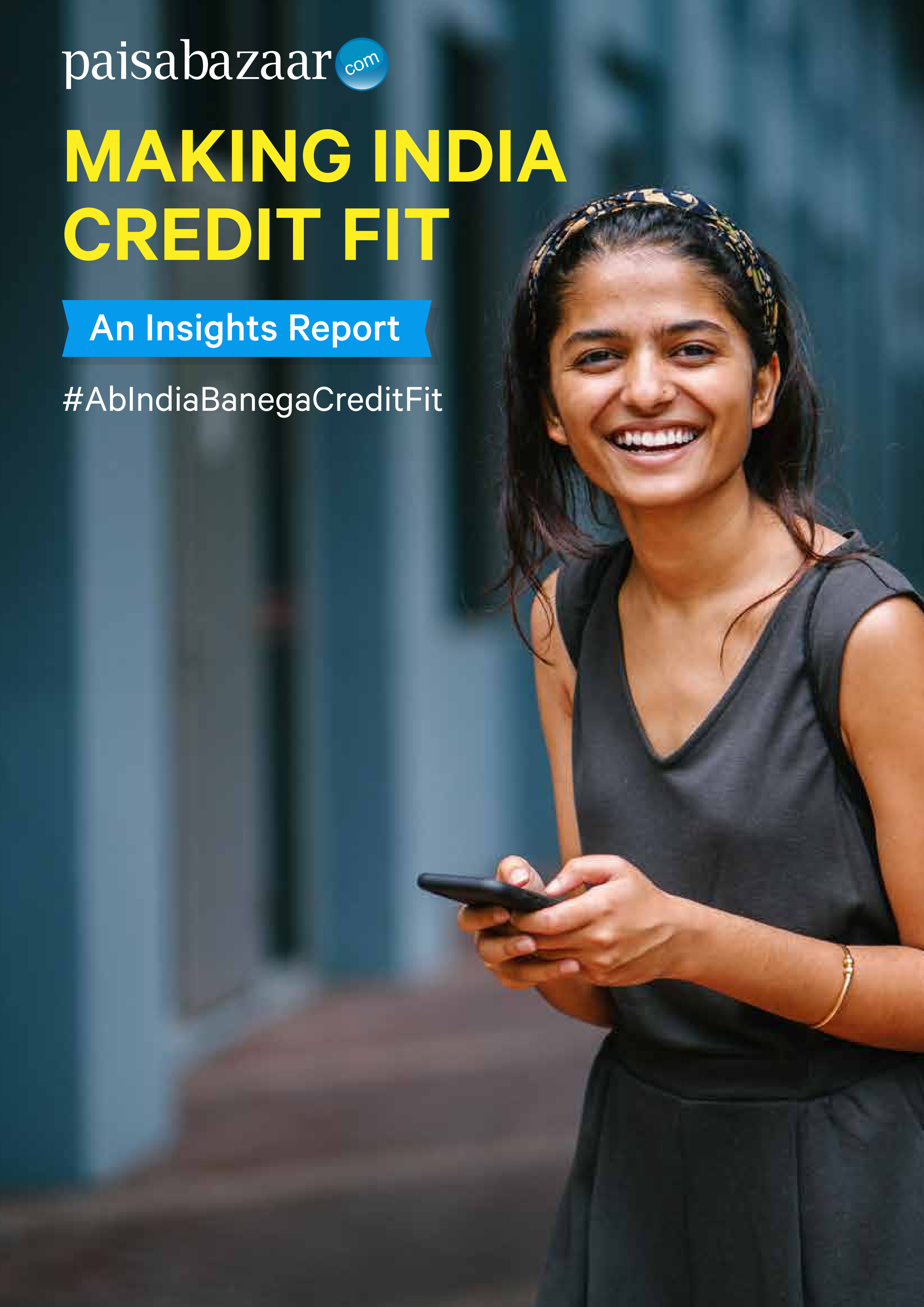
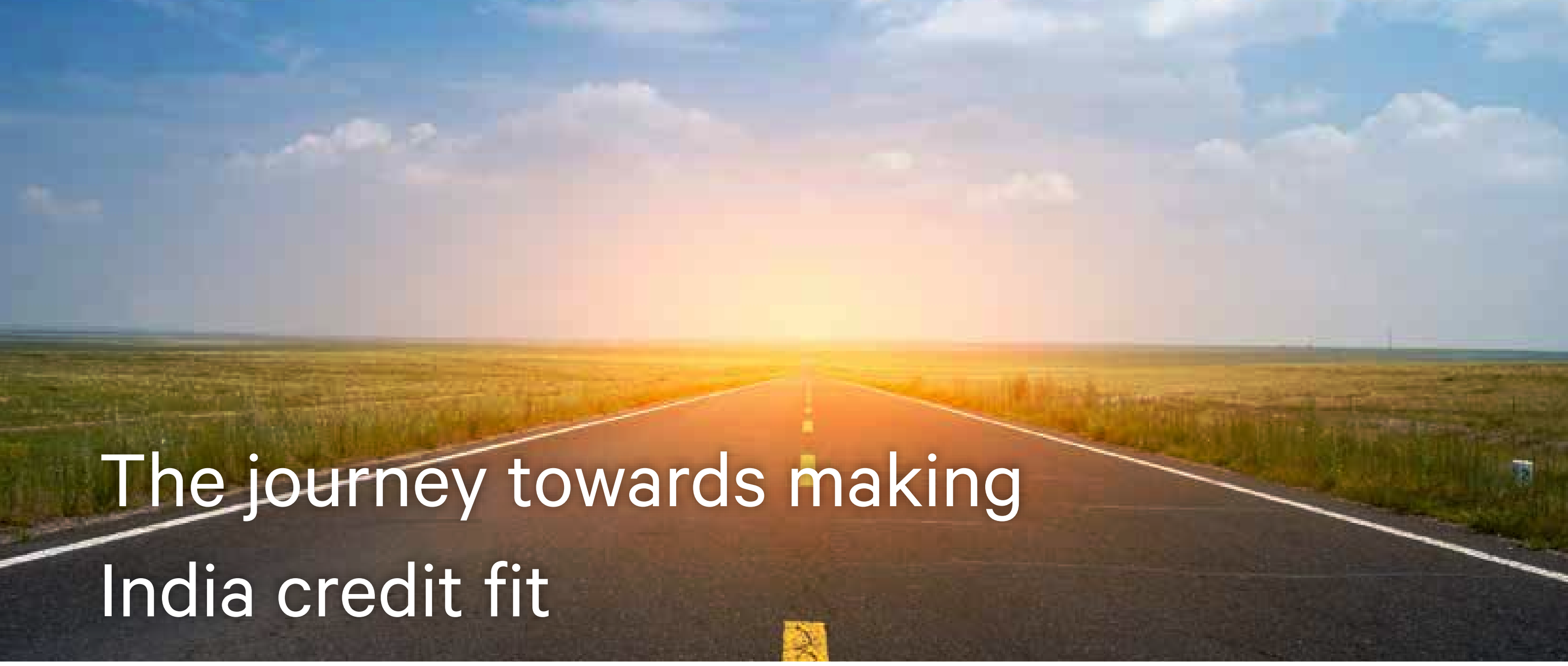
paisabazaar.com

MAKING INDIA CREDIT FIT

An Insights Report

#AbIndiaBanegaCreditFit





The journey towards making India credit fit

PREFACE

India with a population of over 1.3 billion people is one of the largest and most complex consumer markets in the world. It also is one of the most underpenetrated, when it comes to financial products. Access to formal credit for the general population has been poor traditionally.

However, over the last few years, the evolution of agile and innovative fintechs have added significant value to the lending ecosystem through deep integrations with banks, NBFCs and credit bureaus. One of the biggest hurdles in the expansion of the umbrella of formal credit was the lack of awareness around credit scores.

Conversations with customers and partners made it evident that penetration of formal credit can go up only through a digitally powered credit score product.

As India's fastest-growing fintech, Paisabazaar.com endeavoured to meet this need gap by running India's largest credit awareness initiative - A free credit score product with monthly updates. Over the last 2 years, we have introduced several innovations around this initiative to make India not just more credit aware but also credit fit.

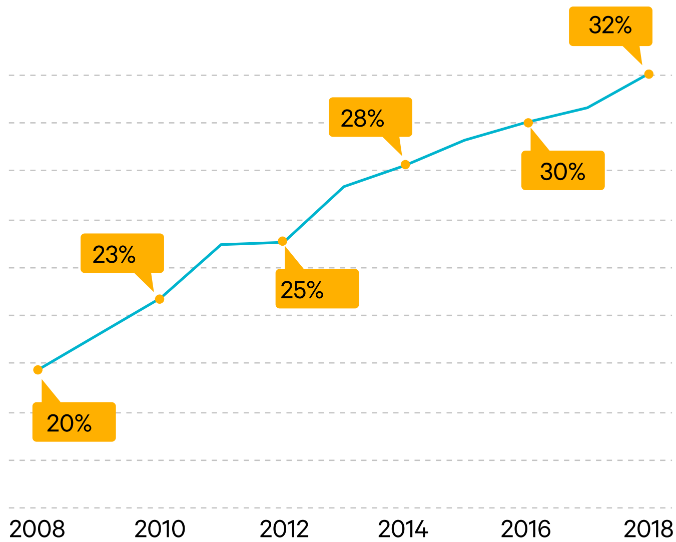
This consumer insights report, constructed by analysing data of our customers, looks at themes around the rising credit awareness in India and the resultant shift in consumer mindset and behaviour.

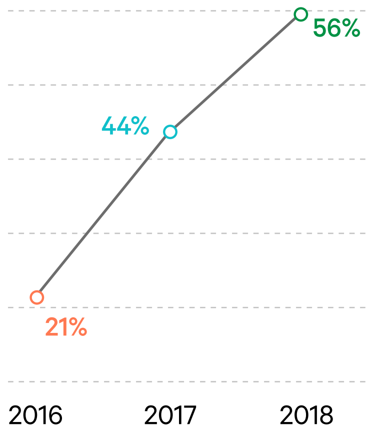
- Naveen Kukreja, CEO & Co-founder Paisabazaar.com

Credit Awareness in India on the rise, but behind other emerging economies

Credit Bureau Coverage in the world since 2008

Globally, the credit bureau coverage in 2018 stood at 32%, rising over 12% in 10 years.



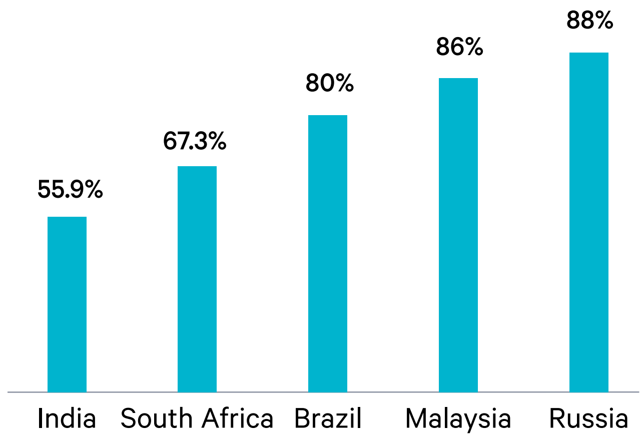


Credit Bureau Coverage in India

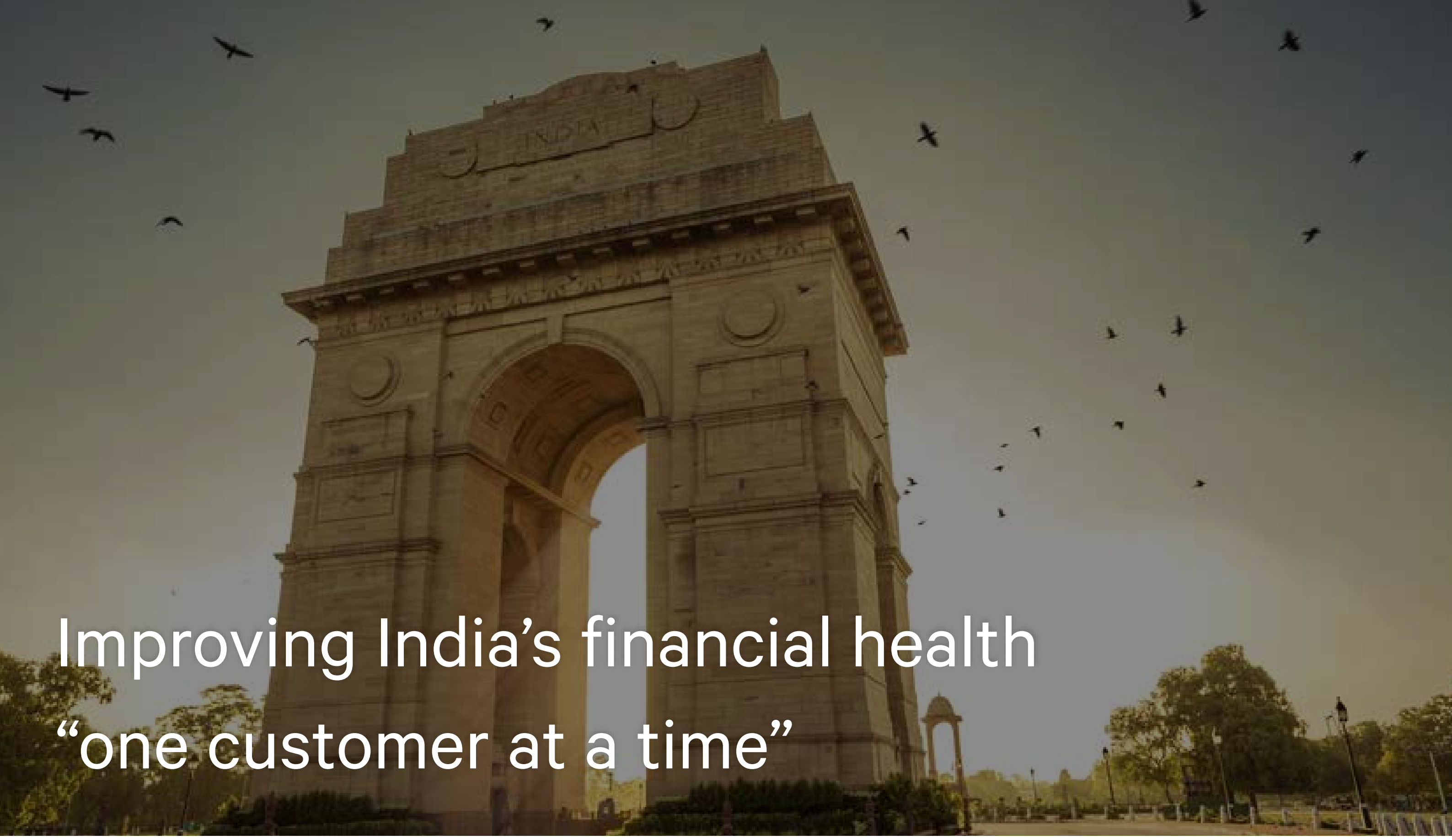
As per World Bank data, credit bureau coverage in India stood at 56% in 2018. This includes the number of individual consumers and firms listed by credit bureaus as a percentage of the total adult population.

India's credit bureau coverage vs other emerging economies

When compared to other emerging economies, the potential for credit awareness in India remains huge.



Source: World Bank



Improving India's financial health "one customer at a time"

9.2 lakh

Customers have increased their credit score by 50+ points in the last 6 months

4.6 lakh

Customers have increased their credit score by 100+ points in the last 6 months

> As a fintech, we believe we are uniquely placed to innovate and truly make a difference in the lives of our customers, through relevant innovations. Over the last 5 years, we have seen millions of our consumers suffer due to a poor credit score. Our credit awareness initiative is aimed to make India credit aware and financially healthy, through good credit behavior.

Naveen Kukreja
CEO & Co-founder
Paisabazaar.com

Key insights from the report

— **Evolving Credit Behaviour of the Indian Consumer**

Emergence of young Indian retail borrower

— **Demystifying Credit Awareness of Millennials & Digital Immigrants**

Millennials emerging as credit aware & responsible

— **The Story of Credit Awareness in India 1 & 2**

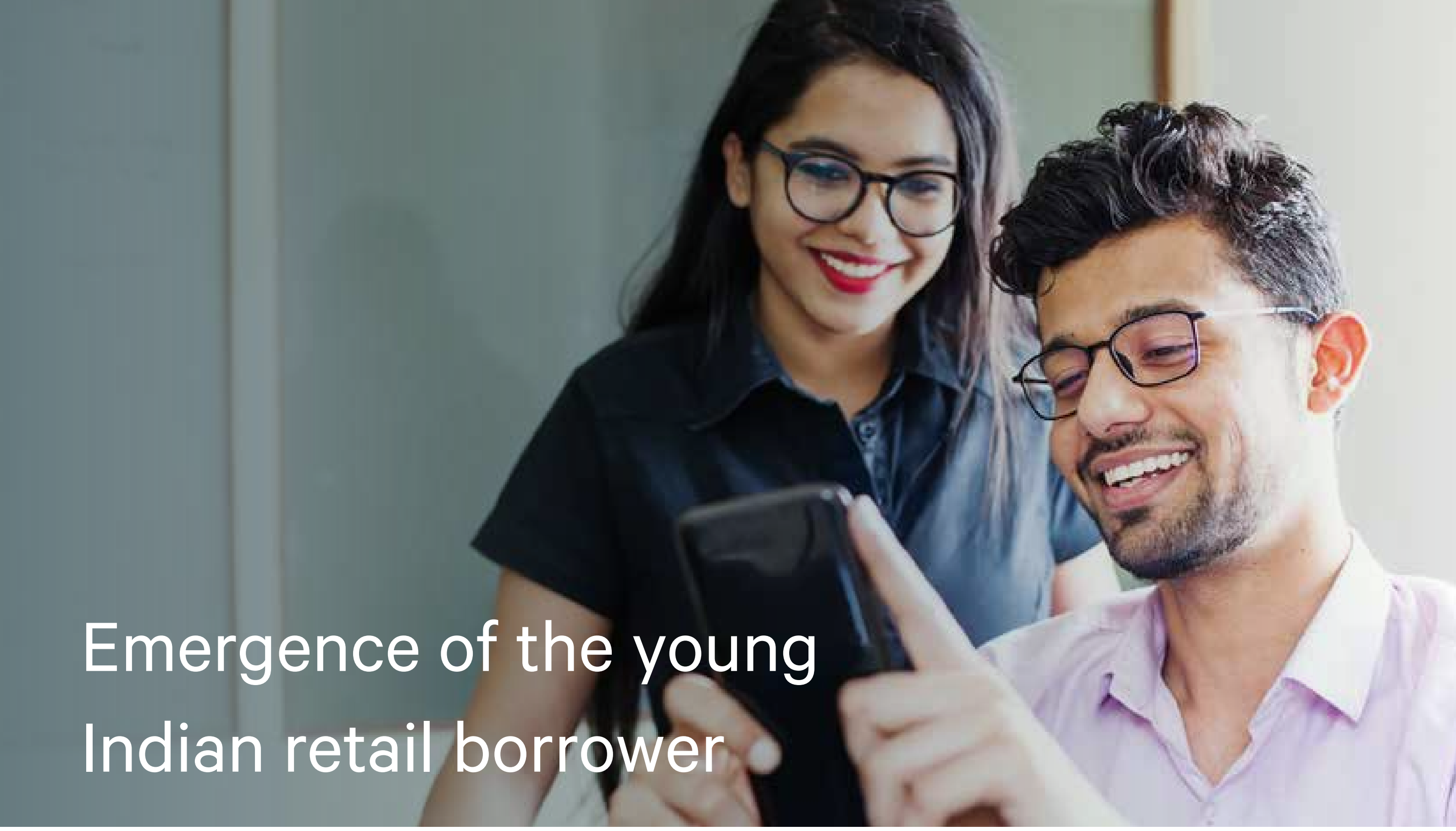
Credit report penetration moving beyond top 10 cities

— **The Myth of Self-employed**

Credit awareness healthy among self-employed but still behind salaried

— **Story of New to Credit Customers**

New to credit are getting "Ready for Credit"



Emergence of the young Indian retail borrower

Average age of first loan taken has gone down drastically

India moving from a “save first” philosophy to “consume first and pay over time" behaviour

Average age of first loan taken by consumers born in 1970

38 years

Average age of first loan taken by consumers born in 1985

27 years

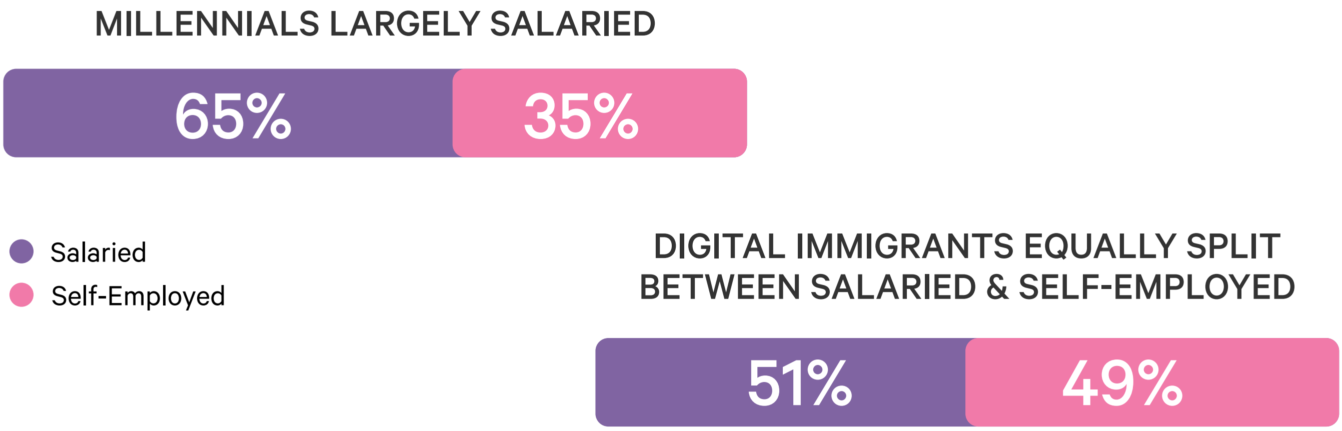
Navneet Singh
CA, Bangalore

CUSTOMER SPEAK

“I took a personal loan of Rs 2 lakh shortly after I started working to travel to Europe for two weeks. I paid it off over the next 3 years easily. This has become a part of my life now, making big purchases through loans and EMIs on my card. It's very convenient.”

Millennials emerging as credit aware & responsible

74% of credit report customers are Millennials. **61%** have a score above **750+**



Nandita Bajpai
MNC Executive,
Delhi NCR

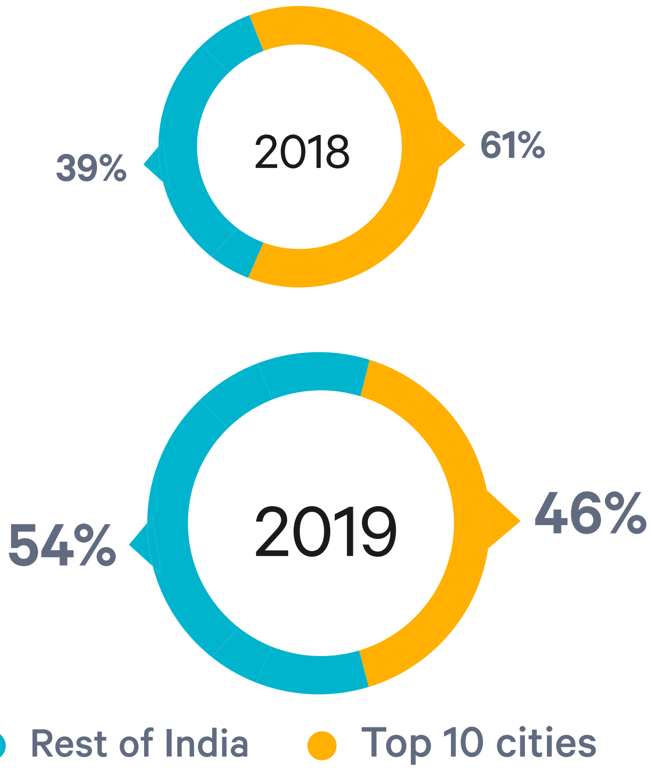
CUSTOMER SPEAK

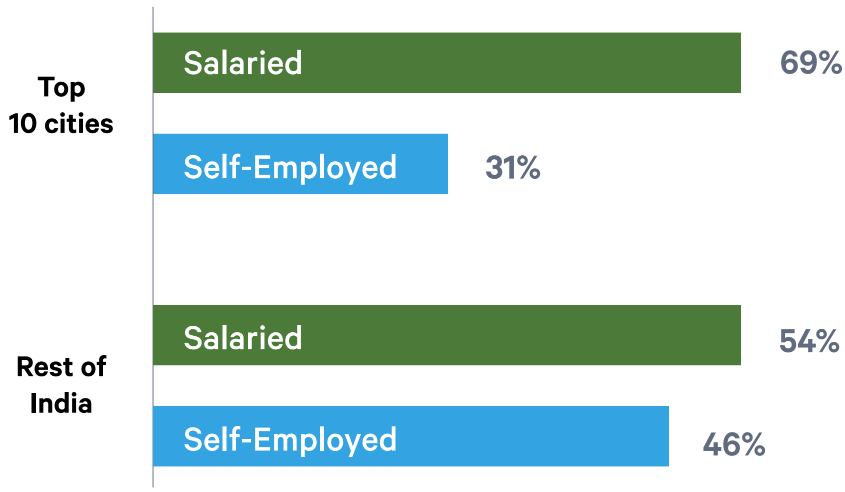
"I was using my credit cards extensively for personal expenses ever since I started working 6 years ago. Sometimes, I made delayed payments or crossed my credit limit. My credit score dipped due to this. I began monitoring my score from last year and have controlled my card spending. In the last few months, I have built a good score."

Credit report penetration moving beyond top 10 cities

Credit awareness rising swiftly outside the Top 10 cities

- 54% customers come now from beyond top 10 cities
- A 40% increase in total customers coming from rest of India in less than a year





- Salaried customers dominate top 10 cities
- Self-employed are more credit aware in rest of India

Top 10 cities - Delhi NCR, Mumbai, Kolkata, Chennai, Bengaluru, Hyderabad, Ahmedabad, Pune, Jaipur and Surat.

Credit awareness healthy among self-employed but still behind salaried

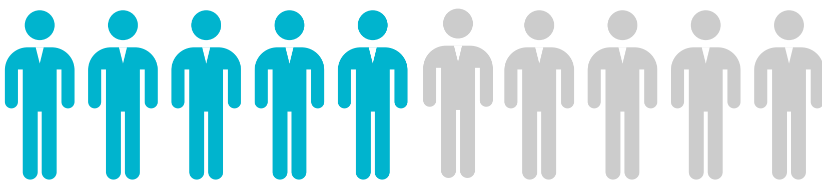
- 38% of the credit score customers are self-employed
- 78% of them are from MSMEs

● Self-employed ● Salaried

There has been a steady increase of self-employed customers wanting to be aware of their credit score. However, they are still behind in credit healthiness compared to the salaried segment.

6/10 - 6 out of 10 salaried customers have a credit score of over 750

5/10 - 5 out of 10 self-employed customers have a credit score of over 750

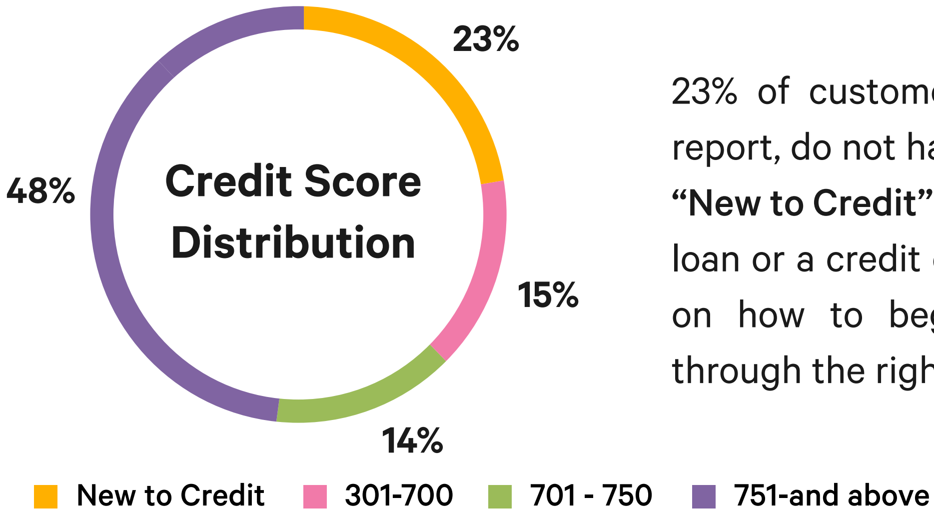


Rathan Dhar
Agribusiness Trader,
Jaipur

CUSTOMER SPEAK

"Each time I applied for a loan, the application got rejected. It was only after fetching the free credit report from Paisabazaar that I identified the problem. The credit experts at Paisabazaar helped me correct my credit mistakes, which increased my score over a period of time. Monthly credit score updates helped me rationalize my finances and plan my cash flows accordingly."

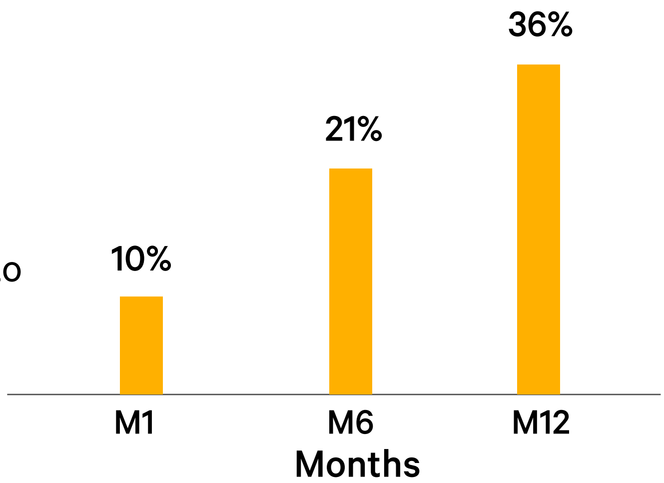
New to credit getting **“Ready for Credit”**



23% of customers who took our credit report, do not have a credit score and are **“New to Credit”**. While they are keen for a loan or a credit card, they need guidance on how to begin their credit journey through the right advice on products.

Next spurt of credit growth to be driven by New to Credit

In the last 12 months, 36% of these New to Credit customers have got a credit line.



> We have seen a sharp rise in demand for credit from young salaried professionals and entrepreneurs on our platform over the last 5 years. These consumers are both confident and comfortable using credit to meet their aspirational and lifestyle needs, along with their life goals. As a market leader, we are assisting young India begin their credit journey through personalized advice and products.

Radhika Binani
Chief Product Officer
Paisabazaar.com

Credit Awareness in India rising, but still a long road ahead – Credit bureaus

"Indian consumers are becoming more credit-conscious than ever before. Not only are they learning about how their financial decisions can impact their credit score, but also how a high score is a critical influencer in getting access to funds when they need it the most and at favourable interest rates. However, checking their score once isn't enough, and we see consumers increasingly monitoring their CIBIL scores regularly to ensure they are loan-ready to leverage lucrative offers whenever the opportunity arises."

- Sujata Ahlawat, VP and Head, Direct-to-Consumer Interactive, TransUnion CIBIL

"The efforts by the banks, the fintech players and the credit bureaus have helped significantly improve the awareness on the concept of credit score over the last few years. However, the drivers of credit score and the benefits one can get from a good credit score aren't yet understood – the continued efforts are required to broaden and deepen this awareness."

- Parijat Garg, SVP, CRIF High Mark

"Only about 43% of the adults have ever taken a credit product. We are seeing an increase in consumer lending and the millennials are more willing to take loans for their day to day needs as compared to the earlier generation. However, the low awareness of your credit score can limit your ability to borrow. In today's times, credit scores are the primary check for financial decisioning be it loans, credit card, insurance or postpaid mobile connection and being aware of your score & factors that affect your score is very important for your financial health."

- Ashish Singhal, Managing Director, Experian Credit Information Company of India

"Although credit score awareness has grown in India in recent years, it is still a long way to be on par with mature markets. With more Indian banks adopting risk-based pricing, whereby your credit score determines the interest rate that you will pay. It will be in the best interest of Indian borrowers to not only become aware of their credit scores but also understand what factors impact their scores positively or negatively."

- Manu Sehgal, Business Development Leader, Equifax

Conclusion

As India's largest marketplace for financial products, Paisabazaar.com has seen a big shift in consumer behaviour over the last few years. Consumers today are more aware of their financial health and there is a clear focus on credit fitness.

Conversations with our customers and partners, along with the data, also indicate that awareness around credit score, and its vitality has surged, albeit more education initiatives from financial players need to come in place.

In this environment, agile and innovative fintechs will play a critical role by adding awareness, efficiency and dexterity to the entire lending ecosystem. Through deep integrations and partnerships with banks, NBFCs, digital lenders, credit bureaus and technology players, fintechs will not just help raise credit awareness but also continue to elevate the customer experience in this journey.

This rise in credit awareness, coupled with the continuing smartphone and internet boom, would drive a significant impact on the penetration of formal credit products in India. And with progressive regulatory support, India in the next few years should have a lending ecosystem that matches the global best.