

CREDIT SCORE SYSTEM- ASSESSING THE AWARENESS OF PUBLIC PERCEPTION IN TIRUPATI CITY

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Abstract— Credit ratings are now an essential instrument for determining someone's reliability when it comes to loan repayment. This study examined how well people in Tirupati, Andhra Pradesh, understand credit ratings and how their background influences their understanding. credit score is basically a number that shows how reliable someone is financially based on their borrowing and repayment history. To gather the information a detailed questionnaire was used and 30 responses were collected on January 2025. The responses were coming from various groups, including business owners, IT professionals, industrialist, salaried employees. Using convenience and snowball sampling methods. The data was analysed using tools like graphical representation and correspondence analysis through excel and google sheet. The results shows that factors like gender and the number of dependents significantly impact how much people understand credit scores. The study highlights the needs to improve financial awareness among the public so that more people can effectively use

credit scores in their financial decisions. It also recommends that similar studies should be done in other parts of India to understand how awareness of credit scores affects behaviours like paying back loans on time.

Index Terms— credit score, loan repayment, credit worthiness, effective credit use, financial behaviour.

I. INTRODUCTION

when we applying for a loan or credit card, one of the key factors that followed by the banks and financial institutions check is your credit score. A credit score often referred to as a CIBIL score in India, is a three- digit number that shows how reliable you are when it comes to repaying loans. It is based on your credit history and how you have handled loans and credit in past. It is an essential for creditor to understand if you are likely to repay the money you borrow. CIBIL (credit information bureau India limited) was Indias first credit information company established in 2000. It was created after the Asian financial emergencies to help banks and creditors asses the financial reliability of borrowers today we have 3 more companies, EXPERIAN, EQIFAX, and CRIF High Mark are licensed by the RBI to provide credit scores. A credit score helps creditors decide if someone is eligible for a loan. The interest rate they should offer and the maximum credit limit. Record less its importance, in India still there are many people unaware of what is credit score and how it impacts their financial future. By knowing our credit score and maintaining a good credit history then we improve the chances of getting loans on better terms.

II. REVIEW OF LITERATURE

1. **Sharma, Rajeev and Gottheimer (2021)** in their research paper “Awareness of credit score Mechanism in India” Studied the understanding of credit scores across various demographics, emphasizing the role of monthly income in influencing awareness levels. The study advocates for financial literacy programs to bridge existing knowledge gaps.
2. **Kumar, Anil, and Verma, Ritu (2022)** in their paper” Understanding Financial Literacy and credit Awareness of credit scores among young adults in India”. the study concluded that targeted educational initiatives could improve credit habits and financial decision making.
3. **Singh, Abhinav (2023)** In his research Demographic Factors Influencing Credit Awareness in Tier 2 and Tier 3 discovered that persons in these areas had low awareness of credit scores with educational attainment having an important role in enhancing comprehension.
4. **Senthil Kumar (2019)** studies “the credit score system and examines the awareness level about CIBIL score”. Demographic variables’ effect on the knowledge and awareness is analysed using primary data from 237 respondents in the state of Karnataka, by employing chi-square test stating that there exists significant association between the level of knowledge on credit score system while considering gender of respondents as well as their number of dependents.
5. **Tiwari (2021)** undertakes a discussion on the CIBIL score of the customers a how the Covid-19 pandemic impacted it. The important causes for drop in the CIBIL score like Loan moratorium, Default in loan payment, Loan restructuring is reviewed at length.
6. **Sajan (2021)** opines that there has been a substantial change in the way the credit life cycle is run in the present era both, by the lenders and the loan seekers due to the advent of CIBIL Score rating. The present study is an attempt to surface the consciousness about the CIBIL score among the Bank loan borrowers.

III. OBJECTIVE OF THE STUDY

The present study was conducted with the following objectives:

- To study the system of credit score in India and knowledge on credit score among public in Tirupati city.

- To assess the level of knowledge of public on credit score system.
- To examine the association between demographic variables and knowledge on credit score system among public
- To compare the borrowers who obtain the loans from the bank through the CIBIL scores.

IV. RESEARCH METHODOLOGY

This descriptive study seeks to investigate and assess the degrees of knowledge and financial conduct associated with credit ratings. The data was obtained using a structured questionnaire design to examine respondents' awareness and understanding of credit ratings, as well as their financial activity and payment preferences. The questionnaire had both closed-ended and multiple-choice questions to collect quantitative and categorical data. The replies were collected in January 2025. The obtained data was examined using Microsoft Excel and Google Sheets. The factors include age, occupation, and the number of dependents. The sample size was restricted to 30 respondents, which may not accurately reflect Tirupathi's whole population. All individuals provided informed consent before to completing the questionnaire.

Here is the data presented in a tabular format for easier analysis:

<i>Question</i>	<i>Options</i>	<i>Percentage</i>	<i>Responses</i>
1. Age	<i>15-25</i>	<i>13.3%</i>	<i>11</i>
	<i>25-40</i>	<i>50%</i>	<i>15</i>
	<i>40-60</i>	<i>36.7%</i>	<i>4</i>
2. Occupation	<i>Student</i>	<i>23.3%</i>	<i>7</i>
	<i>Business owner</i>	<i>26.7%</i>	<i>8</i>
	<i>IT Professionals</i>	<i>26.7%</i>	<i>8</i>
	<i>Salaried employee</i>	<i>16.7%</i>	<i>5</i>
	<i>Other occupation</i>	<i>6.7%</i>	<i>2</i>
3. Do you know about credit score?	<i>Yes</i>	<i>76.7%</i>	<i>23</i>
	<i>No</i>	<i>23.3%</i>	<i>7</i>
4. Are you aware of your current credit score range?	<i>Below 300</i>	<i>10%</i>	<i>3</i>
	<i>300-600</i>	<i>20%</i>	<i>8</i>
	<i>600-800</i>	<i>43.3%</i>	<i>13</i>
	<i>No</i>	<i>26.7%</i>	<i>6</i>
5. Do you often make credit transactions?	<i>Yes</i>	<i>40%</i>	<i>12</i>
	<i>No</i>	<i>60%</i>	<i>18</i>
6. Does the bank ask for your credit score to provide a loan?	<i>Yes</i>	<i>70%</i>	<i>21</i>
	<i>No</i>	<i>30%</i>	<i>9</i>
7. Which payment method do you rely on more?	<i>Credit card</i>	<i>26.7%</i>	<i>8</i>
	<i>Debit card</i>	<i>33.3%</i>	<i>10</i>
	<i>Cash</i>	<i>40%</i>	<i>12</i>
8. How familiar are you with factors that affect your credit score?	<i>Not familiar</i>	<i>10%</i>	<i>3</i>
	<i>Somewhat familiar</i>	<i>53.3%</i>	<i>16</i>
	<i>Very familiar</i>	<i>36.7%</i>	<i>11</i>
9. Do you make timely payments on your loans?	<i>Always</i>	<i>56.7%</i>	<i>17</i>
	<i>Most of the time</i>	<i>20%</i>	<i>6</i>
	<i>Occasionally</i>	<i>6.7%</i>	<i>2</i>
	<i>Never</i>	<i>16.7%</i>	<i>5</i>

Question	Options	Percentage	Responses
10. Are you aware of how late payments can affect your credit score?	Yes	75.9%	22
	No	24.1%	7
11. Which of the following best describes your credit history?	No credit history	16.7%	5
	Limited credit history	30%	9
	Average credit history	23.3%	7
	Good credit history	30%	9
12. Are you interested in knowing more about credit score?	Yes	20%	6
	No	80%	24

Discussion:

The data reveals several key insights regarding people's awareness and habits related to credit scores. The majority of respondents (50%) are in the 25-40 age range, indicating that this group is likely the most financially active. IT professionals and business owners are the most represented occupations (26.7% each), suggesting a higher level of financial engagement among these groups. While a significant portion of respondents (76.7%) are aware of credit scores, 23.3% are not, highlighting a knowledge gap. A larger percentage (43.3%) have credit scores in the 600-800 range, but 26.7% are unaware of their current score, signalling the need for more awareness and tools to track credit. Additionally, 40% of respondents make credit transactions regularly, but 60% do not, suggesting that many rely on cash or debit cards. Most respondents (70%) recognize that banks require credit scores for loans, yet 30% still lack this knowledge. Cash is the most preferred payment method (40%), with debit cards (33.3%) slightly more popular than credit cards (26.7%). In terms of credit score knowledge, 53.3% are somewhat familiar with the factors affecting it, but only 36.7% are very familiar. While 56.7% make timely loan payments, 23.4% show inconsistent payment habits, which could negatively impact their credit scores. A strong majority (75.9%) understand the consequences of late payments, but 24.1% do not. Regarding credit history, 30% each have limited or good credit history, while 16.7% have no credit history at all. Finally, while only 20% are interested in learning more about credit scores, 80% are not, reflecting either a lack of perceived importance or satisfaction with their current understanding. Overall, while there is good awareness about credit scores, there is room for further education, particularly regarding factors affecting credit, the importance of timely payments, and tools to manage credit scores effectively.

Conclusion

This study highlights the level of awareness and understanding of credit scores among the residents of Tirupati, Andhra Pradesh. The findings indicate a growing recognition of the importance of credit scores in financial decision-making, yet significant knowledge gaps persist.

Key findings include:

1. **Demographic Influence:** The age group of 25–40 years, along with IT professionals and business owners, shows higher awareness and engagement with credit scores. However, other demographic groups, such as students and salaried employees, exhibit varying levels of understanding.
2. **Credit Score Awareness:** While 76.7% of respondents are aware of credit scores, a notable 23.3% remain unaware. Additionally, 26.7% of respondents do not know their current credit score, emphasizing the need for increased education and access to credit score tracking tools.
3. **Financial Behaviour:** Most respondents (70%) understand that banks consider credit scores for loans, and 75.9% are aware of the consequences of late payments. However, a significant portion (24.1%) lacks this understanding, underscoring the need for better financial literacy programs.
4. **Payment and Credit Habits:** Despite the importance of credit, 60% of respondents do not engage in regular credit transactions, and cash remains the most preferred payment method (40%). Furthermore, inconsistent loan repayment habits among 23.4% of respondents highlight potential risks to their creditworthiness.
5. **Interest in Learning:** Surprisingly, only 20% of respondents express an interest in learning more about credit scores, suggesting a gap in perceived relevance or access to informative resources.

So, awareness of credit scores is relatively high among specific groups in Tirupati, there is a clear need for enhanced financial education to improve understanding and adoption across all demographics. By addressing these gaps, individuals can make more informed financial decisions, ultimately contributing to better credit health and economic stability.

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