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Market Watch

# 49% of Gen-Z borrowers below prime: Report

BY GAYATRI NAYAK, ET BUREAU | FEB 05, 2020, 08.05 PM IST

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Almost half the generation-Z- born after 1995- borrowers, are below prime in terms of their [credit](#) worthiness according to a study by credit bureau [Transunion Cibil](#). But [lenders](#) to are conservative while extending credit products to this group of borrowers.

Of the 49 per cent of the gen-Z borrowers who are below prime, while 27 per cent of them are near prime, 22 per cent of them are in the sub-prime category, the study noted.

Moreover the loans arm or to meet consumption demand rather than buying an asset. “

For Indian Gen Z consumers, originations (the rate at which new accounts are being opened) are growing fastest in the consumption lending categories” the report said. According to [Transunion Cibil](#) ranking. subprime borrowers are assigned a score between 300 and 680, near prime between 681-730, prime between 731-770, prime plus between 771-790, and super prime between 791-900. Higher scores are indicative of lower risk.

Looking at year-over-year growth in originations in 2019, credit cards grew 150%, consumer durables 113%, and personal loans 95%. Personal loans and credit cards are often used to finance living expenses and make smaller-ticket purchases. “In the personal loans space especially, the prevalence of non-banking financial companies (NBFCs) and the rapid growth of [FinTech](#) lenders has accelerated the availability and ease of application for this particular credit product” the report said.

But lenders are conservative. Only 6 per cent of the Gen-Z are credit active in India compared to 66 per cent in USA and 63 per cent in Canada. “In emerging markets, lenders may be more conservative with extending traditional credit products to Gen Z, as those consumers may not yet have the credit histories and track records those lenders use to assess and manage risk,” said Abhay Kelkar, vice president of research and consulting for [TransUnion CIBIL](#). “We have seen that the use of expanded data sets and advanced

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analytic techniques can help lenders better understand the risk profiles of these younger borrowers and identify ways to engage them in a mutually profitable manner”

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Although India had the smallest percentage of credit active Gen Z consumers of all the countries studied, even among older Indian generations, credit participation is relatively low, as just 10% of the total adult population is credit active, the report said.

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