

# FACETS



Understanding experience of fintech lending customers, July 2022

Issue 2



# Introduction



The last few years have seen accelerated adoption of digital/fintech lending by customers. [Data shows](#) a diverse customer segment across age, occupation, income, and location, taking credit using fintech lending apps.

While we reasonably know the customer profile, we know much less about their experience. Available information about customers' experiences is anecdotal mainly and limited in its approach. Such information also lacks in terms of independent/objective capture of customers' own experience across lenders. As a result, the fintech industry has a somewhat unbalanced view of customer experience, ranging from media reports focusing on the worst experiences (customers into debt trap, lacking information, harassed for recoveries) to customer testimonials vouching for fintech lending apps' magic. The negative experience of customers taking loans from unauthorised/fake apps colours the impressions too. While individual lenders have deep and rich insights into customer expectations and behaviour, as an industry, collective evidence about drivers of customer demand and what they like and don't like is rather missing.

In this report, we are trying to capture the customer side of the story to improve our understanding of the digital/fintech lending market. To draw focused responses from customers, we kept the questionnaire brief to some key issues.

This report, we hope, will support lenders and other stakeholders as they strive to improve the customer experience/outcomes.

# Notes



The report is based on survey responses from 3,811 customers who have an existing loan or have taken a loan in the last 3 months from FACE members. Survey responses were collected in 4 weeks from June-July 2022



FACE designed the [survey questionnaire](#) with inputs from members after testing it through telephonic interviews with a small customer-base



FACE members rolled out the survey amongst its customers. The customer responded to the survey on their own, digitally, as lenders shared the link to a google survey form and or integrated survey questions on their customer engagement platform. Only in a small sub-set of 200 customers, the survey received responses from customers through telephonic interviews



This report presents the analysis and voices of customers' as they responded to survey questions



Our sincere thanks to customers of our member companies for sparing time to share their experiences and so to our members for facilitating the data collection and shaping the report with perspectives

# Summary



Emergencies, medical and education/skilling were the top reasons for customers taking loans. Two-thirds of customers reported their credit needs critical, which have to be somehow funded



For nearly half the customers, the alternative to digital credit is dependence on family/friends. Only 1 in 5 customers reported non-digital borrowing from a Bank/NBFC as an alternative



More than two-thirds of customers associated positive feelings after taking loans (better quality life/confidence-control of finance) and about one-fourth reported stress due to interest payment



Loan amount, app review/rating, pricing and data are key factors that customers consider while taking the loan



Identifying right lending app, customer service/connecting with the company and understanding loan terms and conditions were the most important problem statements for customers while accessing loans through digital lending apps



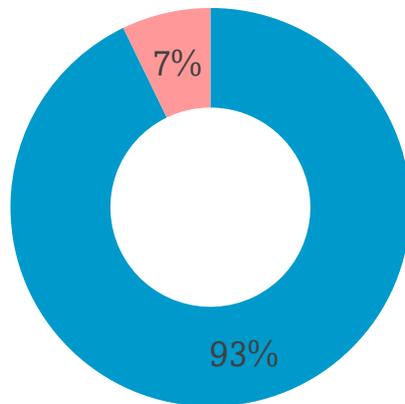
Reassuringly, 88% of customers testified positively by reporting continued use of apps and/or recommending them to family/friends

# Survey sample representative of the industry customer base in terms of gender, age and marital status



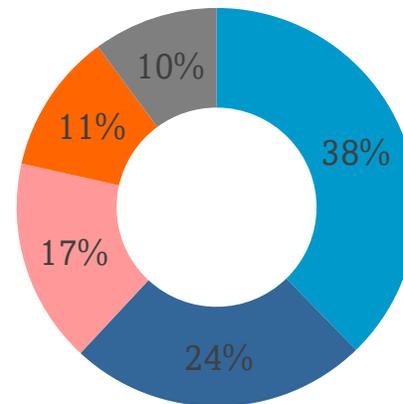
Over 3,800 customers, who responded to the survey had similar characteristics in terms of gender, age, and marital status as the industry customer base, making it representative of the customer segment of the fintech lending industry.

Gender



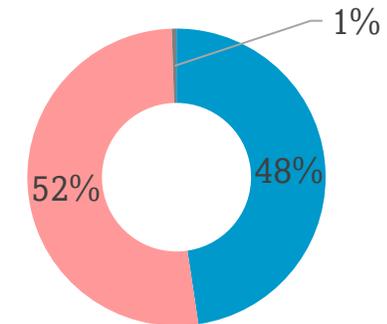
■ Male ■ Female

Age, years



■ 18-25 ■ 26-30 ■ 31-35 ■ 36-40 ■ >40

Marital status



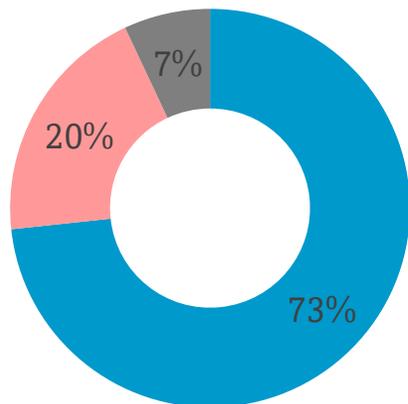
■ Married  
■ Unmarried  
■ Divorced/Separated/Widowed

# Survey sample a little skewed toward salaried and full-time

The customer sample was, however, a little skewed towards salaried and full-time employment as otherwise, a large customer base of fintech lenders comes from self-employed segments too (please refer to [FACETS issue 1](#)).

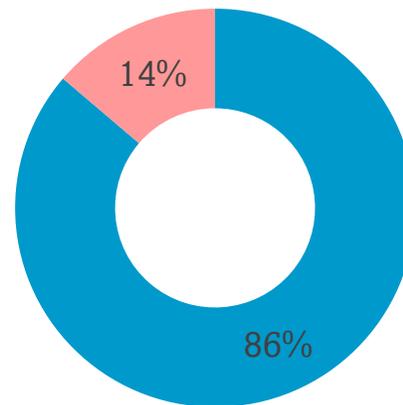
Customers also had diverse experiences in terms of the number of apps used but more than two-thirds have used only 1-2 apps so far.

Employment



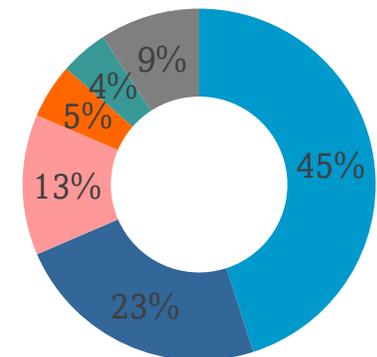
■ Salaried ■ Self-employed ■ Student

Employment



■ Full-time ■ Part-time

Number of apps used by customers till date



■ 1 ■ 2 ■ 3 ■ 4 ■ 5 ■ >5

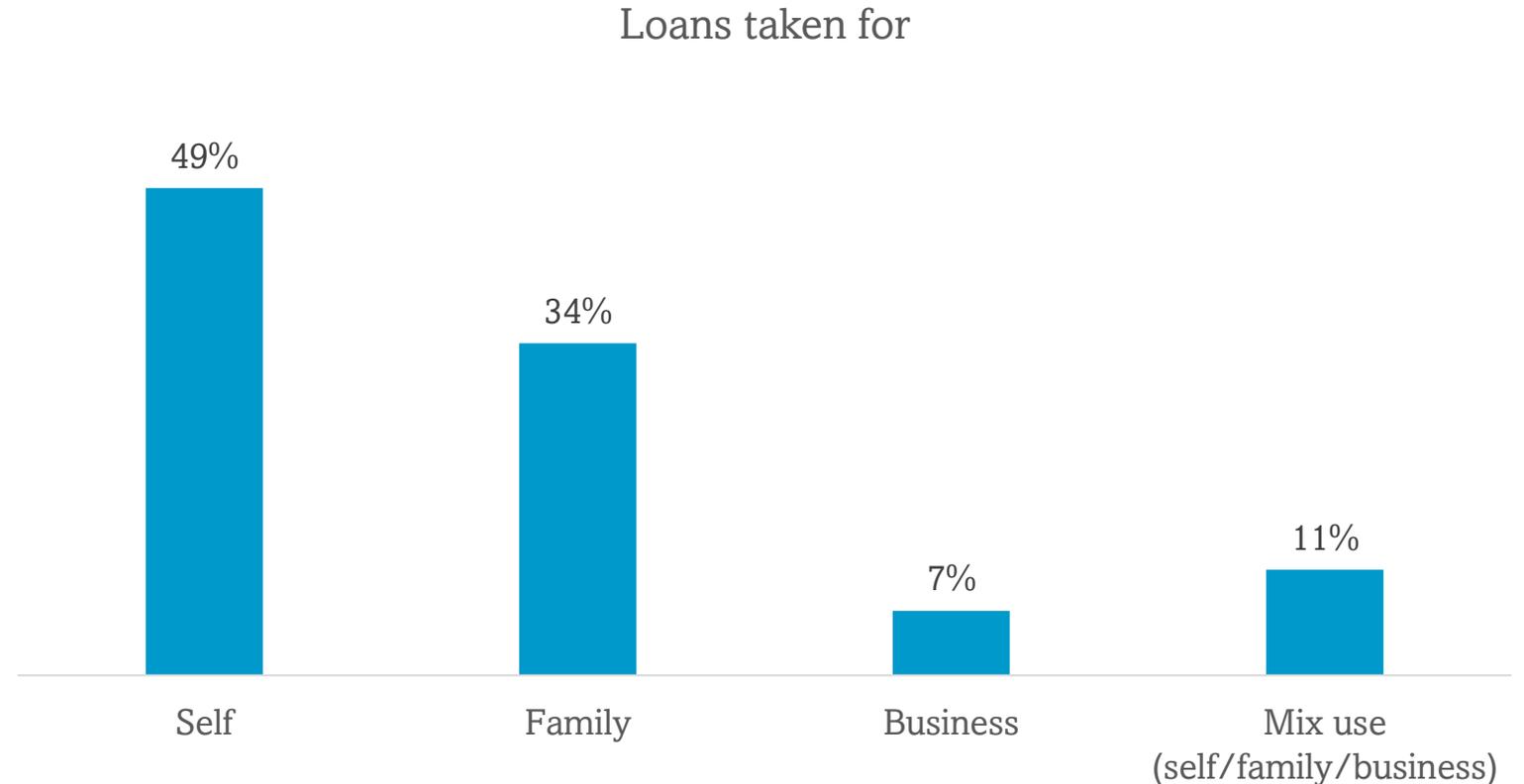
# The majority take loans for self, followed by family and business needs

## 11% of customers reported taking loans for multiple purposes



Nearly half of the customers reported exclusively taking loans for self-usage compared with one-third for family use. The majority of the married customers have availed of loans for family needs whereas unmarried for self needs.

11% of customers reported taking loans for mixed use-cases.



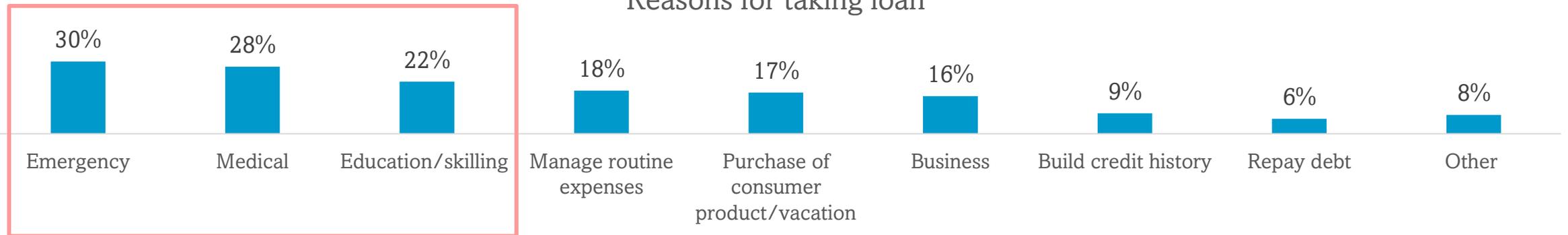
Survey asked respondents to choose multiple options from a set of responses, hence percentage would not add up to 100. To explain, 49% here means that 49% of customers reported taking loans for self-use.

# Two-thirds of customers took loans for emergencies/medical reasons



In our last [report](#), we captured that 98% of loans were ‘personal loans’ which does not capture the diverse and important use cases for loans. Our survey showed some light on the use and over two-thirds of customers reported taking loans for emergencies/medical reasons. It is worth reflecting that [WB Findex Database](#) reports a significant percentage of adults worried about medical/emergency, education and day-to-day needs. For many low/medium income customers, with choppy cash flows and not enough savings/safety nets/insurance cover, credit is key to meeting such needs. Equally important is taking credit to fulfil opportunities and aspirations (education, consumer products/vacation and business) coming their the way.

Reasons for taking loan



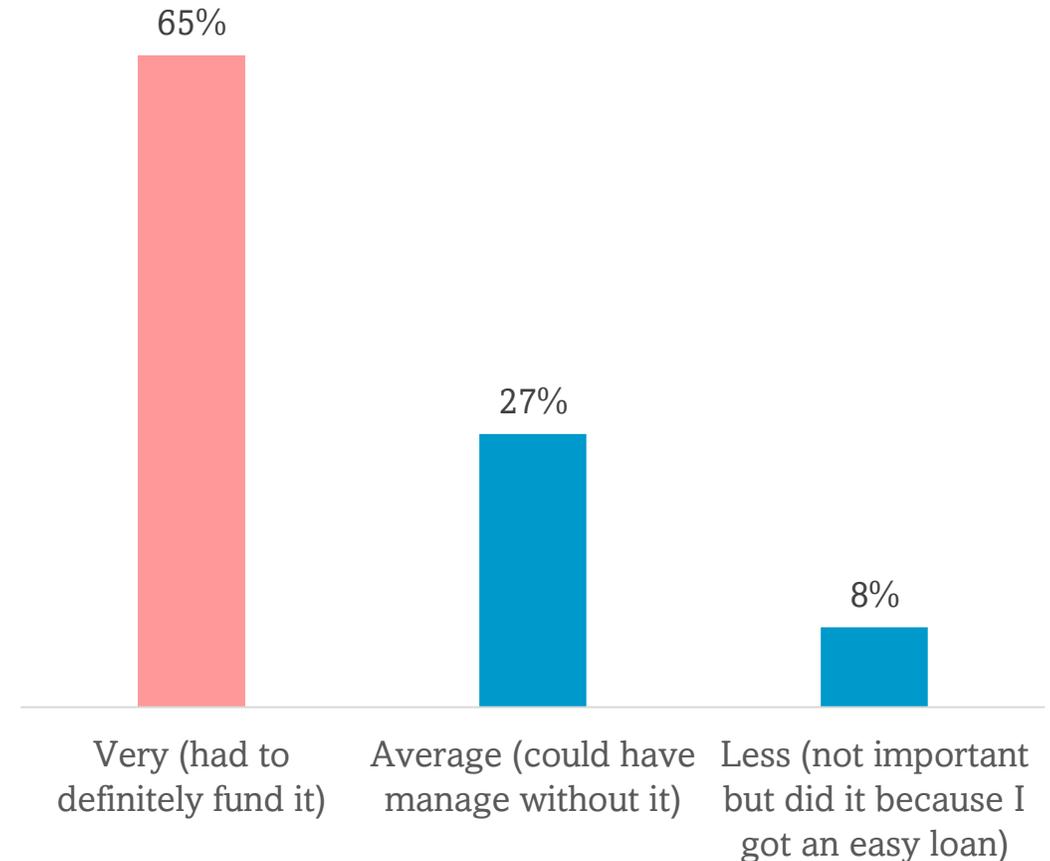
Survey asked respondents to choose multiple options from a set of responses, hence percentage would not add up to 100. To explain, 30% here means that 30% of customers reported an emergency as a loan reason.

# From the customer's prism, the need is real and important

The narrative on financial inclusion has for long and rightly favoured productive use of credit while acknowledging the various use-cases of credit by the customer including consumption and emergency needs.

Low/medium income customers lack access to affordable short-term products for both productive and personal needs. They find it very hard to get loans or credit lines/cards from the formal financial market and rely on a network of family/friends and informal channels. Fintech lending to customers fills these genuine customer needs. Unsecured, fast, convenient and affordable small and short-term credit through apps brings an important value proposition for customers.

How important was need for credit

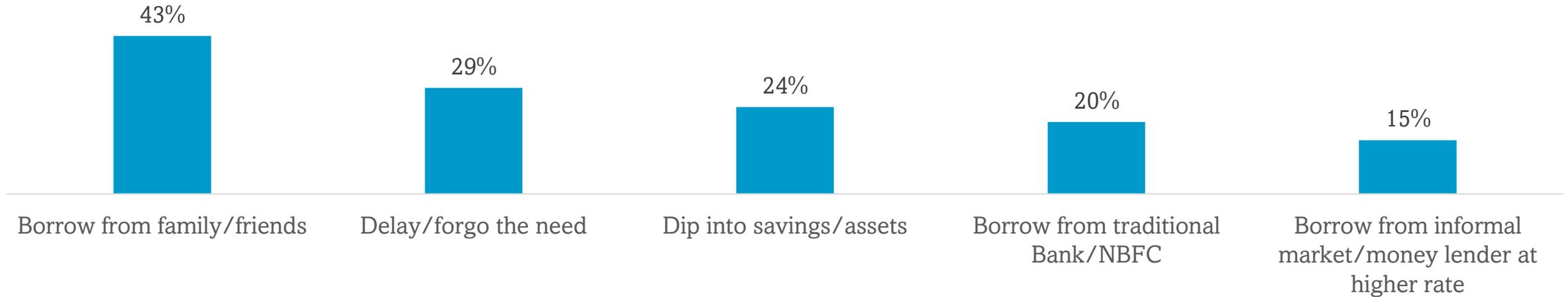


Survey asked respondents to single option from a set of responses,

# What if

When asked about what would have been their alternatives, if they have had no access to credit from fintech apps, 43% reported borrowing from family/friends. More than 24% of responders said they might be forced to forgo/delay the need in absence of a digital loan which indicates the crucial role digital lenders are playing in meeting the needs of this segment. It is not difficult to imagine the unmeasurable cost to individuals and families if they cannot fund their emergencies, medical requirements and skilling.

How you would have fund this need if the digital loan was not available

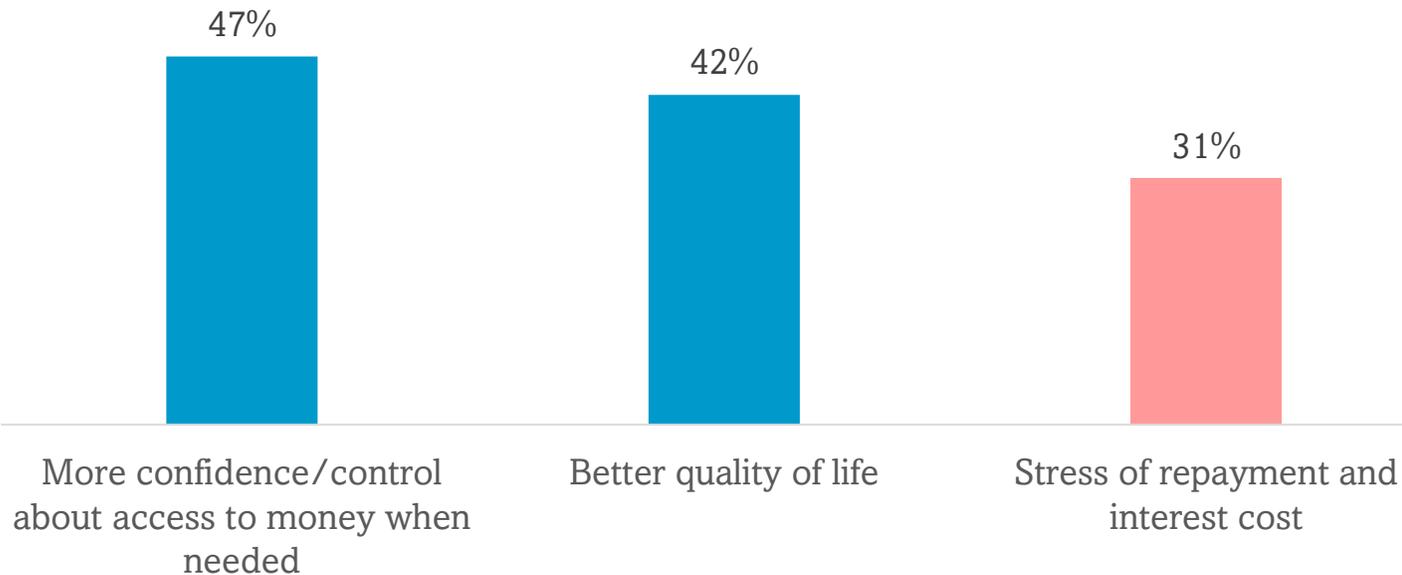


Survey asked respondents to choose multiple options from a set of responses, hence percentage would not add up to 100.

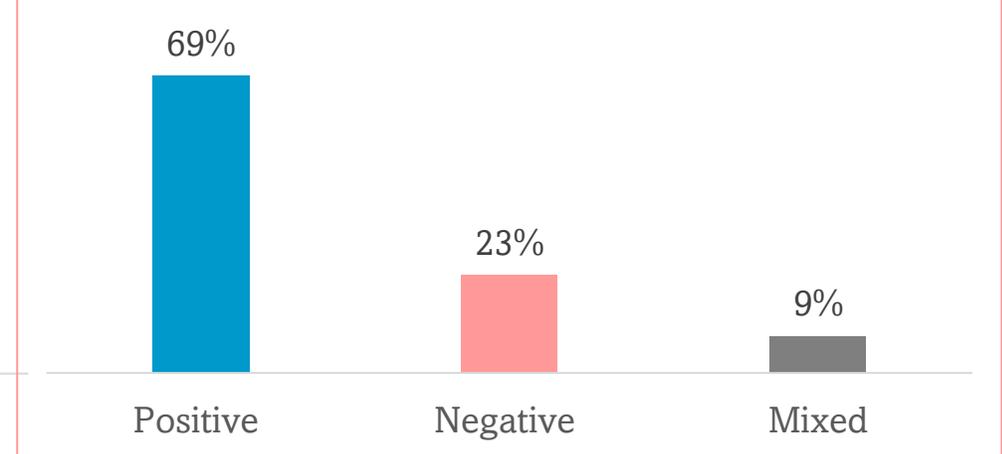
# How do customers feel after taking the loan

Two in three customers exclusively reported positive feelings with loans (more confidence/control about access to money when needed and better quality of life). With the visibility of small-ticket/short-term loans in terms of repayment, more customers feel confident about repaying back. However, one-third of customers did report feelings of stress due to repayment and interest costs, even those who otherwise reported positive feelings.

How does customer feel after taking loan



How does customer feel after taking loan

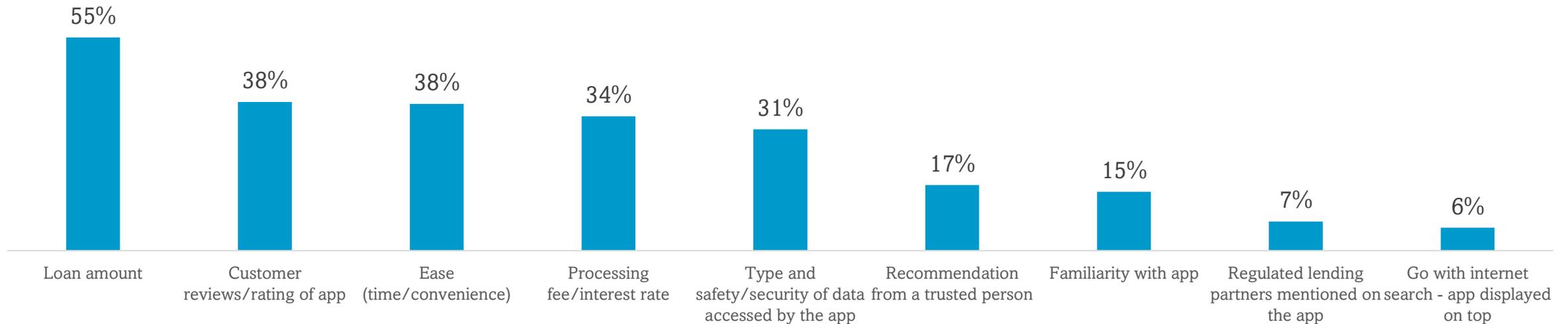


Survey asked respondents to choose multiple options from a set of responses, hence percentage would not add up to 100 in the first chart. The second chart gives exclusive responses for positive (more confidence/better quality life), negative (stress for repayment) and mixed feelings (customer reporting both positive and negatives feelings)

# How do customers choose an app

The loan amount is the top factor when choosing an App. As the customers are tuned to check app reviews before downloading any category of app, the same is the case in lending apps too. Less than 7% of customers looked at the name of regulated lending partners, clearly pointing to a lack of customer awareness on this important aspect. Less than a third of customers reported factoring data access/safety/security in choosing the app.

What factors you consider while choosing an app

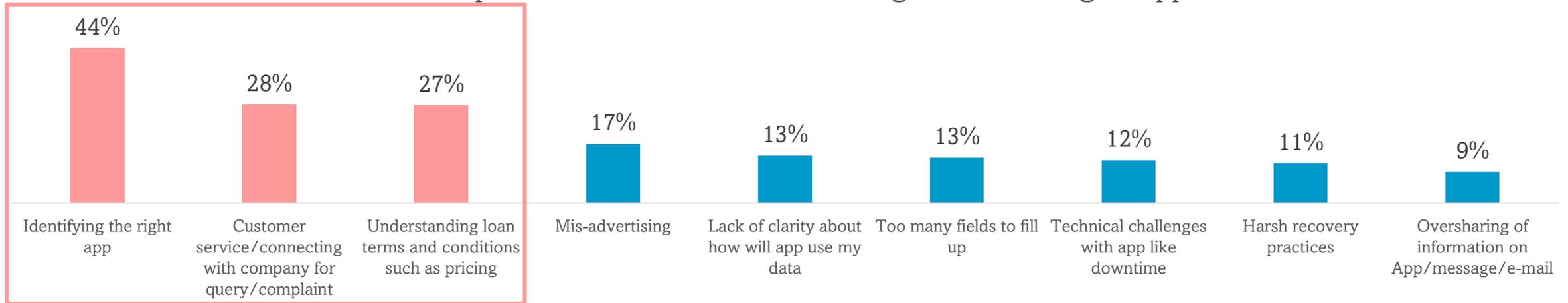


Survey asked respondents to choose multiple options from a set of responses, hence percentage would not add up to 100. To explain, 55% here means that 55% of customers reported considering loan amount in choosing the app.

# What general problems customers face in taking loans from app

Survey asked about general problems customers face while taking loans through lending apps. About 44% of customers reported challenges in identifying the right apps. Given the number of options available including many unauthorised/fake ones, it is indeed hard for the customers to identify the right lending app suitable for their credit needs. Connecting with the company for query/complaint and understanding loan terms/conditions were reported by over one-fourth of customers as the key problems. Clearly, the industry has much more work to do to improve customer experience on these fronts.

General problems customers face in taking loans from digital apps



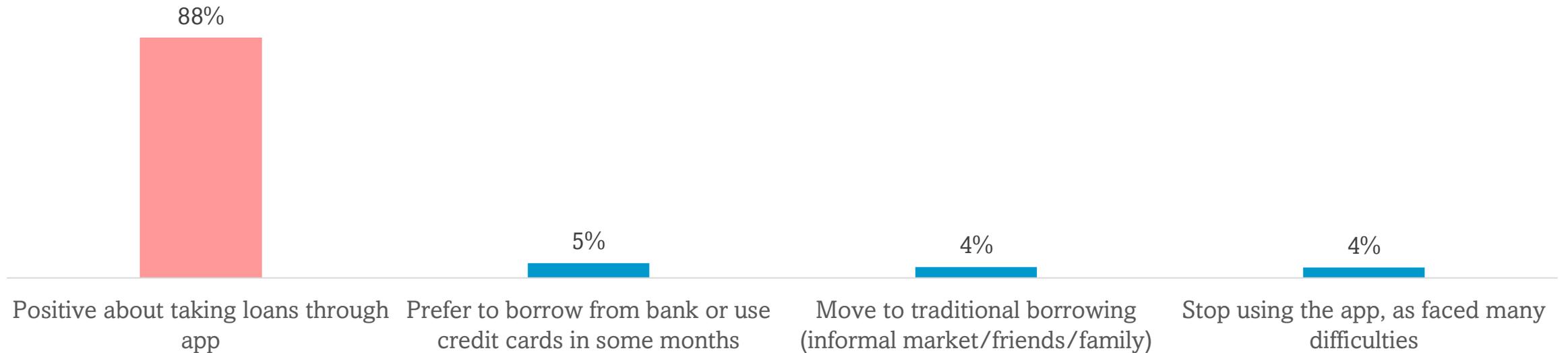
Survey asked respondents to choose multiple options from a set of responses, hence percentage would not add up to 100. To explain, 44% here means that 44% of customers reported problems in identifying the lending app.

# The taste of pudding is in eating



Loans through digital apps play a very important role in the customer segment by providing them with a better quality of life, and confidence/control over access to funds. Thus in spite of a few challenges/problems, 9 in 10 customers clearly indicated positively toward taking loans through lending apps (reported continuing use of the lending app and/or recommending it to friends and families).

Based on your experience of digital lending apps



Survey asked respondents to choose single options from a set of responses. Positive means will continue using apps and/or refer to friends and families.

# Some takeaways



Unsecured, convenient and affordable short-term/small-ticket credit is critical to building customers' resilience to overcome obstacles and helping them fulfil opportunities and aspirations for their financial well-being.

Experience of customers taking loans from genuine lending apps (we only surveyed customers of our FACE member companies who operate within regulated space by lending through regulated entities only and follow the regulations and [FACE Code of Conduct](#)) is undoubtedly positive (can be better). It is essential to differentiate the adverse experience of users coming from users of unauthorised apps.

As so many new customers (new to credit and digital lending) enter formal lending through lending apps, identifying the right lending app is critical yet challenging. [RBI WG Report](#) on digital lending apps has recommended creating a whitelist of regulated lending apps. Implementation of this recommendation is vital to ensure customers' trust in digital lending. FACE, besides monitoring/reporting fake apps to relevant agencies and [raising customer awareness](#), is [trying to build](#) a list of genuine lending apps by reaching out to lenders to support our work to address customer-protection issues raised by unauthorised-fake apps.

Lenders must innovate and focus more on customer service/grievance redressal and disclosure norms.

Data on customers' needs and transaction patterns provide immense opportunities for lenders to offer suitable/customised loan products and forge partnerships for customers' benefit. Tie-ups with e-commerce, hospitals, and education institutes are a few prominent examples.

# Annex: FACE members who facilitated survey



CASH 

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 EarlySalary

kissht

 LoanTap

 mPokket  
Fast Approval, Instant Loan

PayU 

 vivifi  
VIVIFI INDIA FINANCE PVT. LTD.



For clarification/suggestions please reach us at [teamface@faceofindia.org](mailto:teamface@faceofindia.org)