

FACE & MSC Consumer Survey Report Underlines the Gap Between Perceived Confidence and Actual Knowledge Among Users in Detecting Illegal Loan Apps

NBFC/Bank affiliation, rating and review of loan apps are key factors customers consider in verifying the app, but gaps in verifying the loan app and knowing other loan terms

Mumbai, 16th April 2024: Towards its mission of advancing and safeguarding consumers' interest in digital lending in India, the [Fintech Association for Consumer Empowerment \(FACE\)](#) today announced the launch of its new report, **Understanding Users' Experience with Digital Lending Applications (DLA) in India**. The report is in collaboration with [MicroSave Consulting\(MSC\)](#). The report brings insights from a customer survey FACE conducted through its members between Dec 2023 and Jan 2024 to systematically understand gaps in users' approaches and knowledge about DLAs in India and drive action to address them.

In the last two years, FACE has worked to address the issue of unauthorised loan apps. FACE monitors app stores and other prominent app distribution channels to identify and report illegal loan apps for removal. [This work has led to collaboration with Google, designating FACE as a priority flagger to combat predatory digital lending apps on the Play Store in India](#). Under the program, FACE contributes to market intelligence to detect and address non-compliant personal loan apps swiftly. Since the fraud landscape constantly evolves, ongoing and targeted customer education is equally vital to defend against fraud. FACE uses fraud insights, customer knowledge, and behaviour gaps, such as those coming through this survey, to design multilingual, multi-channel campaigns, harnessing members' networks. Recently, FACE ran a #ScamHai campaign in Hindi, English, Marathi, and Telugu, combining audio/visual content to cover elements of information, behaviour, and recourse mechanisms for loan app fraud.

Commenting on the report's launch, Sugandh Saxena, CEO at FACE, said, *"Unscrupulous players hit the very core of the market, i.e., customer trust for digital loans, harming customers and damaging the reputation of responsible digital lenders. We note that users are aware of downloading apps from the Play Store and checking the app's partnership with NBFCs/Banks, ratings, and reviews. However, the study informs us about significant gaps in the customer tool kit and behavioural biases, making them vulnerable to being tricked by illegal loan apps. As we work towards a safe loan app ecosystem for customers, the insights from the report will inform our effective actions to focus on aspects that customers overlook and break behavioural disposition"*.

Akhand Jyoti Tiwari, Partner, MicroSave Consulting, said, *"Users face risks when accessing Digital Lending Apps (DLAs) from sources with inadequate verification protocols prior to listing in App stores. Insights from user behaviours underscore the urgency for awareness regarding illegal DLAs. There's a crucial need for standardised baseline standards across all app stores, ensuring consistency in verification, hosting, reporting, delisting, and dispute resolution processes."*

Key insights from the study include:

- 70% of the users felt confident verifying the loan apps despite following a sub-optimum verification process. Over a third of high-confidence customers exhibit low awareness about factors to detect illegal lending apps.
- More than half show low knowledge of verification factors for loan apps and tend to only look at a limited set of parameters like partnerships with NBFC/Banks, ratings, and reviews. This section of users is susceptible to fraud and scams.
- The loan app's affiliation with NBFC or Bank is the most crucial factor in the verification process, with over 57% of respondents checking that, closely followed by reviews and ratings considered by 55%. Over three-fourths of users ignore downloads and data-sharing metrics when deciding about lending apps.
- About a third of high-confidence customers have limited knowledge about their digital loans. Almost all customers know the lender's name, but less than a third know about the Key Fact Statement and Grievance Redressal mechanism.
- Digital marketing through social media platforms triggers purchases. Advertisements on social media platforms, such as Instagram, Facebook, and YouTube, are the preferred sources of information for people seeking digital loans, followed by word of mouth and product ratings. Friends and relatives play a crucial role in initiating and finalising the application after users view it through advertisements. Users relying primarily on web links to download DLA face the burden of reviewing more factors when verifying the legality of lending applications.
- Female users showed slightly better awareness of the loan product.
- 76% of users reported loans from DLAs positively impacting them, 13% indicated no significant change, and 11% expressed a subpar experience.
- People who haven't availed credit from loan apps, mostly in rural areas, reported no need for loans, access to alternative credit sources, or unfamiliarity with the loan apps.

About FACE

Fintech Association for Consumer Empowerment (FACE), a non-profit industry association, set up in Sep 2020. FACE unites the fintech lending ecosystem to advance fair and responsible digital lending practices through self-regulation and customer-centricity. FACE members account for an estimated 80% of the retail fintech lending volumes and abide by the FACE Code of Conduct. Working with fintech lenders and other ecosystem players, FACE pursues customer empowerment through its work in self-regulation, policy advocacy, knowledge, standards, market monitoring, and customer insights.

About MSC

MicroSave Consulting (MSC) is a boutique consulting firm that has, for 25 years, pushed the world towards meaningful financial, social, and economic inclusion. With over 300 staff of different nationalities and varied expertise, we are proud to be working in over 68 developing countries. We partner with participants in financial services, enterprise, agriculture and health ecosystems to achieve sustainable performance improvements and unlock enduring value. Our clients include governments, donors, private sector corporations, and local businesses. We can help you seize the digital opportunity, address the mass market, and future-proof your operations.

Link to report: https://faceofindia.org/wp-content/uploads/2024/04/FACE-Customer-Survey-Report-on-Unauthorised-Loan-Apps_Apr-2024.pdf