

Note on Risk Barometer

Survey to understand the perception of risks in the fintech lending sector in India

About the survey

The fintech lending market is growing at [a CAGR of 33.5% and is expected to grow to \\$515 billion in India by 2030](#). Regulators and ecosystem participants are catching up with Fintech-led digital lending in the country as it pushes the boundaries of financial inclusion and customer experience, presenting enormous opportunities. Progress, however, also poses risks that require a clear understanding of those risks and concerted efforts to mitigate them.

This survey, for the second issue of the [Fintech Lending Risk Barometer](#), is a collaboration between the Fintech Association for Consumer Empowerment (FACE) and Grant Thornton Bharat, and we invite you to join. The survey aims to systematically assess the market perceptions of risks and how they have evolved in the last two years. In this issue, we expand the scope to capture customers' perceptions of the dangers of digital lending.

Please complete your participation in this survey by 30th Jun 2024. It will help us to comprehensively understand the critical risks in the fintech lending sector. This understanding will drive collective action to address the key risks, fostering a safer and more sustainable fintech lending environment.

We detail both [market](#) and [consumer](#) surveys below to preview the survey questionnaire. Please note that:

- The market survey is for regulated entities, Loan Service Providers (LSP), Technical Service Providers, marketplaces, debt/equity investors, Research/Advisory bodies, etc. Market participants to fill out the survey [here](#).
- The customer survey is for digital lending customers, and we request support from regulated entities/LSPs/marketplaces in getting their customers to respond. Customers to fill out the survey in English and Hindi [here](#).

We take full responsibility for maintaining the confidentiality of individual responses. The report will only publish an aggregated analysis. Any attribution (like disclosure or quotes) will be based on consent from participating entities. For any clarification on the survey, please contact aanchal.aggarwal@faceofindia.org/9820284926.

Market Survey

A. Respondent profile

1	Company name	
2	Details of the person filling out the survey	Name, designation, email, phone
3	Your engagement with digital lending	<ol style="list-style-type: none"> 1. TSP working with LSPs/REs 2. Research/Think-tank/Advisory/Audit 3. LSP with an in-house/group RE 4. LSP working with REs 5. Investor 6. Debt funder 7. Other, please specify
4	If you are LSP/RE directly engaging with consumers/firms in credit delivery, please check on an option that best matches your business model	<ol style="list-style-type: none"> 1. Company is regulated by RBI 2. Company has an in-house/group 3. Company is not regulated by RBI and works as LSP with multiple REs 4. Company is not regulated by RBI and works as marketplace for multiple REs 5. Not applicable to us 6. Other, please specify
5	If you are LSP/RE directly engaging with consumers/firms in credit delivery, please indicate your scale disbursement scale in FY 23-24, Rs Cr	<ol style="list-style-type: none"> 1. < 100 Cr 2. 100 - 500 Cr 3. 500 - 1000 Cr 4. 1000 - 5000 Cr 5. >5000 Cr
6	Please let us know if you are willing for an interview on this survey	Yes/No
7	You consent to disclose the company name in the report as a contributor to survey	Yes/No
8	You consent to be quoted in the report	Yes/No

B. Survey questions

Sl no	Risks	Definition	Rating 1-Extremely negligible, 7-Extremely severe	Comments, if any
1	Competition	The risk of reduced (for example due to availability of technology stacks) or increased (due to regulations/compliance/cost of capital) entry barriers to fintech lending can prevent healthy competition. For example, the entry of traditional NBFCs/Banks, Big-techs, and other technology providers. Also competition to incumbent lending fintech players from emerging open lending ecosystem, private and public.		
2	Compliance	Risk of non-compliance due to ambiguous and rapidly changing rules.		
3	Costs	Rising cost in funding, operations, technology, compliance, and HR are affecting margins and the accessibility of affordable loans.		

Sl no	Risks	Definition	Rating 1-Extremely negligible, 7-Extremely severe	Comments, if any
4	Cyber frauds & crime	Reputation risks and potential business losses to fintech lender (and their consumers) due to threats such as cybercrime, fraud, and money laundering.		
5	Customer expectations	Risks that fintech lenders may not be able to meet the shifting customer preferences on data privacy, pricing, loan products, grievance redressal.		
6	Funding	The risk that fintech lenders do not have access to diversified sources of debt or equity funding at an affordable rate.		
7	Governance	Weakness at the board level leading to poor oversight and control.		
8	Grievance redressal	The risk that consumers do not know or are unable to use grievance redressal systems due to digital nature of the business.		
9	High growth	Focus on high business growth undermines other necessary imperatives like risk management, market conduct, compliances, appropriate risk-based pricing framework.		
10	Indebtedness	Lenders' failure to evaluate consumers' credit repayment capacity and absorption abilities results in customers becoming over-indebted resulting in illegal and unethical collection practices		
11	Insolvencies	The insolvency of fintech companies, influenced by factors such as business model viability, compliance challenges, regulatory actions, and credit losses, has significant implications for the broader environment of fintech lending companies.		
12	Lack of data	Difficulty in evaluating consumer creditworthiness due to incorrect or insufficient data, along with algorithmic biases, results in subpar risk assessment, rejecting potential customers and excluding certain groups.		
13	Macro-economy	The risk of fintech lenders and their customers being adversely affected by macroeconomic trends like inflation, sluggish growth, high interest rates, unemployment, and climate change.		
14	Outsourcing	The risks fintech lenders/their customers face due to integration with multiple players or open lending ecosystem like privacy/data security and integrity, vulnerability due to APIs, mis-selling by merchants.		
15	Privacy	Risks of poor visibility on data ownership (who owns data) and compliance issues regarding data collection, consent, and consumer rights for data deletion/changes, as well as insufficient mechanisms to safeguard and ethically utilize consumer data.		

SI no	Risks	Definition	Rating 1-Extremely negligible, 7-Extremely severe	Comments, if any
16	Regulation	Excessive and frequently changing regulations for fintech lenders create an uncertain business environment, slowing down innovation, affecting investment sentiment, and complicating compliance efforts.		
17	Reputation	The risk that the fintech lending sector suffers from poor reputation/lack of trust by regulators, government, customers and other stakeholders.		
18	Risk management	The risk that fintech lenders lack the capacity to identify and mitigate business risks.		
19	Talent	Difficulty in recruiting or retaining suitable talent, especially individuals with technical proficiency in IT, data science, cybersecurity, and risk management.		
20	Technology	Technology risk encompasses the expenses and obstacles related to the adoption and integration of new technologies such as artificial intelligence and machine learning algorithms. <i>(This includes issues like biases in training data sets, transparency of decisions, efficiency gains, talent needs, and audits.)</i>		
21	Transparency	The risk that consumers don't know loan terms like processing fees, interest rates, penal charges, privacy policies to impacting their loan decision and experience.		
22	Unauthorised fintech lenders	Unethical practices by numerous illegal fintech lenders are jeopardizing customers and presenting reputational and industry risks in fintech lending.		
23	Unfair conduct practices	The risk of aggressive marketing and collection practices, such as persistent harassment and deceptive tactics, not only harms customers but also undermines trust in the fintech lending sector		

Customer Survey

A. Respondent profile

1. Age: 18-25, 26-30, 31-40, >40, Prefer not to say
2. Gender: Female, Male, Prefer not to say
3. How many times you have taken a loan from an app:
4. If you are okay to speak to us about responses, please share your mobile number:

B. Survey questions

B1. Fraud loan apps

1. *How much you worry that you can mistakenly take loan from fraud loan app?*

- a. A lot
- b. Somewhat
- c. Not at all

2. *What troubles you about loan app*

- a. It is hard to check if loan app is legal
- b. I have heard a lot about fraud loan apps
- c. Fraud loan apps have trapped someone in my family/friends
- d. I have to do study a lot about loan app which is not always possible
- e. I have to rely on my friends to check the loan app
- f. All loan apps look similar.
- g. Other, please specify

3. *Have you fallen into the trap of fraud loan apps in the past?*

- a. Yes
- b. No

B2. Misuse of Data

1. *How much do you worry about the misuse of your data?*

- a. A lot
- b. Somewhat
- c. Not at all

2. *What worries you about data?*

- a. My data can be leaked
- b. My data can be misused
- c. My data can be sold to third parties without my permission
- d. Not knowing what data app is taking
- e. Loan app can take my pictures and contact list
- f. Not knowing how to remove/change data and permissions
- g. Others, please specify

3. *Have you faced leakage or misuse of data from a loan app?*

- a. Yes
- b. No

B3. Lack of Information

1. *How much do you worry that you don't understand the key terms of a loan?*

- a. A lot
- b. Somewhat
- c. Not at all

2. *What worries you?*

- a. Hard to find the loan documents
- b. Hard to understand the loan documents.

- c. Hard to know the interest rate, penal charges, pre-closure charges
- d. Others, please specify

3. *Have you faced problems by not knowing loans terms?*

- a. Yes
- b. No

B4. Unsuitable loans

1. *To what extent are you worry that easy and quick loans make you to take unnecessary loans that could negatively affect your financial situation?*

- a. A lot
- b. Somewhat
- c. Not at all

2. *What exactly troubles you?*

- a. Taking too many loans and not being able to repay
- b. Taking loan to repay loans
- c. Taking loans for things I don't really need and are waste
- d. Others, please specify

3. *In the past, have you taken loans which you think were not suitable for you?*

- a. Yes
- b. No

B5. Delay in paying EMI

1. *How much worry about missing and delaying the EMI?*

- a. A lot
- b. Somewhat
- c. Not at all

2. *What exactly troubles you?*

- a. My credit score will become bad if I delay the repayment
- b. Company will harass me, if I miss the EMI
- c. Company will shame me with my family friends, if I miss the EMI
- d. Others, please specify

3. *Have you faced bad recovery practices?*

- a. Yes
- b. No

B6. Resolving Complaints

1. *How much you worry about how and whom to complain if you have some problem with loan?*

- a. A lot
- b. Somewhat
- c. Not at all

2. *What worries you about the complaint system?*

- a. It is hard to find the details of how to complaint
- b. It is hard to speak and explain my problem
- c. Company close the complaint without solving my issue
- d. Company will not give me loan in future if I complain
- e. Others, please specify

3. *Did you face bad experience in resolving your complaints in the past?*

- a. Yes
- b. No