

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES

RAJYA SABHA
UNSTARRED QUESTION NO-1032

ANSWERED ON TUESDAY, JULY 29, 2025/ SRAVANA 7, 1947 (SAKA)

RATIONALISATION OF THE CIBIL SCORE

1032. SHRI SANDOSH KUMAR P

Will the Minister of FINANCE be pleased to state:-

- (a) whether Government is aware of the negative impact of the CIBIL Score on the customer's access to credit;
- (b) if so, whether Government recognises the need for rationalising the calculation of the CIBIL Score to support the customers as well as the lenders;
- (c) whether Government had any plan to conduct a massive awareness program among the people to create credit literacy so that poor customers do not end up in a debt crisis;
- (d) if so, the details thereof; and
- (e) if not, the reasons thereof?

ANSWER

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE

(SHRI PANKAJ CHAUDHARY)

(a): Credit Information Report (CIR), including credit score, is provided by Credit Information Companies (CICs) based on the credit history of borrowers, which are considered by Credit Institutions (CIs) for assessment of credit facilities. The credit scores are determined by CICs using their respective proprietary models, based on the credit information furnished by CIs.

Credit score enables a CI to assess the credit worthiness and capacity of a borrower to repay his loan and advances and discharge his other obligations in respect of credit facility availed or to be availed by him/her.

However, the Reserve Bank of India (RBI) has not prescribed any minimum credit score for sanction of loan applications. In a deregulated credit environment, lenders take credit decisions as per their commercial considerations based on their Board approved policies and broad regulatory guidelines and the information contained in the CIR would be one of the inputs, amongst various other inputs/factors, that lenders would consider before granting any credit facility to a prospective borrower.

It is further informed that credit related matters of Regulated Entities (REs) are largely deregulated and the same are governed by the Board approved loan policies of the REs framed under the ambit of relevant regulatory and statutory requirements and terms and conditions of the loan agreement between the borrower and the RE. In this context, information on past repayment history, including information on delayed repayments, loans settled, restructured, written-off, etc., in the CIRs, is essential for assessing the creditworthiness of a borrower and to enable lenders to make informed credit decisions.

Further, as part of best practices for CIs, RBI *vide* referred Master Direction has advised CIs that first time borrowers' loan applications should not be rejected just because they have no credit history.

(b): RBI has not issued any specific instructions to CICs on a standard methodology for arriving at credit scores. All the four CICs have their own respective proprietary models for determining credit scores and there are various inputs/ factors considered by CICs while computing the scores. Further, RBI has mandated that to facilitate the understanding and interpretation of credit scores in an easy and consistent manner, the credit scores shall be calibrated from 300 to 900 by all CICs, so that they have a common classification of credit scores.

(c) to (e): All CICs have uploaded knowledge material on improving credit score on their website for public dissemination.

In order to enhance awareness about credit discipline and responsible borrowing, RBI undertakes various awareness measures and initiatives. Some of the initiatives taken by RBI are as follows:

A. Centre for Financial Literacy (CFL) project:

The CFL pilot project on financial literacy was initiated by the RBI in 2017 with an objective to adopt community led innovative and participatory approaches to financial literacy engaging various NGOs at block level across the country to propagate financial literacy. Awareness about responsible borrowing is covered under the CFL project.

B. Conduct of camps by Financial Literacy Centres (FLCs) and Rural branches of banks:

(i) FLCs:

Banks have been advised to conduct special camps through their FLCs and tailored camps for different target groups *viz.* farmers, Micro and Small Entrepreneurs, Self-Help groups, Senior Citizens and students.

(ii) Rural Branches of banks:

Rural branches of banks are required to conduct camps covering all the messages that are part of Financial Awareness Messages (FAME) booklet, which, inter alia, contains messages on various facets of financial literacy including Basic banking, Responsible borrowing *etc.*

C. Financial Awareness Messages (FAME):

Recognising the need to develop standardized content to meet the requirements of general audience for financial awareness on important banking aspects including basic banking, responsible borrowing, creditworthiness etc. RBI has developed Financial Awareness Messages (FAME) Booklet. Further, Target Group specific content have also been prepared for five target groups *viz.*, Farmers, Entrepreneurs, Self Help Groups, School children and Senior Citizen.

D. Financial Literacy Week (FLW):

RBI has been conducting FLW every year since 2016 to propagate financial education messages on various themes among members of public across the country. During the week, RBI undertakes appropriate programmes on the chosen theme to raise awareness among the public including disseminating the messages in public places. Banks too disseminate the information and create awareness among their customers and the public by displaying the messages on their premises, ATM screens, websites.

- FLW 2021 was conducted on "Credit Discipline and Credit from Formal Institutions" theme. Focus was on creating awareness about a) responsible borrowing; b) borrowing from formal institutions and c) timely repayments.
- FLW 2025 was observed on the theme "Financial Literacy: Women's Prosperity". One of the sub-themes identified was availing credit for growth.
