

## A STUDY ON DEMYSTIFYING THE MISERY BEHIND LOAN APPS IN INDIA

**RP Sirisha<sup>1</sup>**

1. Working as Asst Professor in Sreedattha Group of Institutions, Sheriguda (Village), Ibrahimpatnam (Mandal), Ranga Reddy (District) 501 510. Email Id: dandanayakula.sirisha@gmail.com, Mobile Number: 9000954703.

**ABSTRACT:**

Nowadays it is not necessary to go to any financial institutions to avail loans, as the new trend of Loan Apps in India has been helping a lot of customers to avail loan online. There are a lot of companies which will provide you loan based on your CIBIL Score and amount sanctioned will be based on the income of the customer. Small credits up to ₹50,000 are provided on KYC documents by some Apps. With this new trend the customer enjoys hassle free transactions of no collateral guarantee and no guarantors. The whole process takes fifteen to twenty minutes and the only thing you need is a Mobile with Internet connection of 5G. The following article aims to study about the Digital Loan Based Apps that includes types of companies, interest rates, processing fees, repayment options etc

Key Words: Digital Loan Based Apps, Interest, loan, CIBIL

**Introduction:**

The loan based Apps nowadays are trending in personal finance and there are a lot of satisfied customers who have availed loan from such companies. The rate of interest compared to the Nationalized Banks of India for personal finance is almost double that may be around 25% to 30% on these Apps. But as process is fast and consumer needs are to be met time bound, the Loan Apps are having a better business in India. The processing fees may be almost 5 percent of the loan amount and EMI option would be provided to 15 months to 60 months and it depends upon the customer to choose between the alternatives. There are no hidden charges but interest rates are charged flat by some companies. So, one has to be careful while availing loans concerned about interest rates, repayment tenure, processing fees etc. Even some frauds are also possible on the internet like asking to pay processing fees before the loan is credited. So, one has to be careful when you notice the advertisements on social media or any tele caller provides you information about loan offer. Overall it is necessary to educate yourself about such loans before you are into the business of availing loans from such Apps. In India there are people who cannot produce adequate proof of substantial income to claim their eligibility for loans provided in Nationalized Banks and other Private Financial institutions. But some Loan Apps are regularly providing small credits up to ₹50,000 rupees based on the age proof, address proof and CIBIL score. Somehow it has helped a lot of customers to borrow funds quickly for their adequate needs. The most best things about these Apps are they process the loans in minutes and there is no need of security or guarantor that are in the traditional practices of availing loan. The way the Digital Loan Apps are performing is really excellent but on the contrary there are fraud cases that include charging of the high interest rates, more processing fee and pressure of repayments using odd

methods are some of them to be highlighted. Even these Apps are not only providing Personal Loans but also Business loans and Home loans as well, that may be a great development in the near future. As illegal money lenders charge high interest rates there are opportunities to get easy credit and on time with the hurdle free option through such Apps. Now almost all commercial schedule banks have their own Digital Loan Based Apps and here also loans are dispersed in minutes based on the credit history. They may provide maximum upto ₹15,00,000 as personal loan based on the repayment capacity.

### Literature Review

A personal loan is similar to emergency finance which a borrower can use when he or she is short on cash. Such loans have no end-use restrictions so the money can be spent on anything, including weddings, vacations, and medical expenses. For borrowers, it's like the most comfortable financial cushion. Thanks to technological advancements, the application and disbursement of personal loans have gotten easier. Not only do traditional banks and NBFCs provide loans nowadays, but several mobile applications provide immediate personal loans. On the contrary traditional banks take a long time to process personal loan applications and charge high-interest rates. In contrast, in under an hour, personal loan applications give safe and hassle-free instant cash loans in India.

So, the next time you're in a pinch for cash, check out one of the personal loan application possibilities on your mobile app store. Moving forward, we will present an extensive list of India's top personal loan applications and the different critical features and facts you must understand before applying for any of these applications in this article.

(<https://www.newindianexpress.com/expressdeals/other-categories/best-personal-loan-apps-in-india/203.html>)

Personal loans are a savior in times of financial crisis. However, banks take a really long time to process or even approve loans and moneylenders drive up interest rates to increase their profits. Personal loan apps have become the need of the hour to fulfill all financial limitations. With instant loan disbursements, affordable interest rates, and flexible repayment terms, personal loan apps have emerged as the go-to destination for hassle-free and instant cash.

(<https://moneyview.in/loans/best-instant-personal-loan-apps-in-india>)

Personal loan apps are apps designed for anyone looking for an instant personal loan with minimal documentation and less-stringent eligibility criteria. These apps follow a tech-based customer-friendly model to offer a hassle-free loan journey to customers. You can take loans up to Rs.20 lakh at interest rates starting from 9% p.a. for a tenure of 5 years or more. In this blog, we have explained the top 20 personal loan apps and their features so that you can choose the best app while applying for a loan.

(<https://navi.com/blog/best-personal-loan-app>)

List of some of the Digital Based Loan Apps in India The following table compares the best loan apps in India in 2022. It compares different loan apps based on their annual interest rate, loan amount, and app rating on Google Play Store. The table will help you find the best loan app in India suitable to you:

TABLE: A- List of Some of the Digital Loan Based Apps in India

	Loan App	Annual Interest Rate or APR	Loan Amount	App Ratings-5
1	Pay Sense	16% – 36% (APR)	₹5,000 to ₹5 lakh	4
2	CASHe	27% – 33%	₹7,000 to ₹4 lakh	3.6
3	EarlySalary	0% – 30%	₹3,000 to ₹5 lakh	4.3
4	Nira	24% – 36% (APR)	₹5,000 to ₹1 lakh	4.2
5	KreditBee	0% – 29.95%	₹1,000 to ₹2 lakh	4.1
6	Credy	12% – 18%	Up to ₹1 lakh	4.1
7	mPokket	Starting at 52%	₹500 to ₹30,000	4.2
8	Dhani	Starting at 13.99%	₹1,000 to ₹15 lakh	4
9	Bajaj Finserv	12% – 34% (APR)	₹30,000 to ₹25 lakh	4
10	MoneyTap	13% – 36%	₹3,000 to ₹5 lakh	4.1
11	FlexSalary	Up to 36% (APR)	₹4,000 to ₹2 lakh	3.7
12	MoneyView	16% – 39% (APR)	₹10,000 to ₹5 lakh	4.5
13	PayMe India	18% to 42% (APR)	₹2,000 to ₹2 lakh	3.2
14	SmartCoin	0% – 30%	₹4,000 to ₹1 lakh	3.9
15	StashFin	9.99% – 35.99% (APR)	₹1,000 to ₹5 lakh	4
16	HomeCredit	19% – 56% (APR)	₹10,000 to ₹2,40,000	4.3
17	ZestMoney	Up to 36% (APR)	₹1,000 to ₹10 lakh	4.6
18	IDFC First Bank	Starting at 10.49%	Up to ₹40 lakh	3.9
19	LoanTap	18% – 30%	₹25,000 to ₹10 lakh	3.7
20	Fullerton India	Starting at 11.99%	₹50,000 to ₹25 lakh	3
21	LazyPay	15% – 32%	₹10,000 to ₹1 lakh	4.4
22	IndiaLends	Starting at 10.75%	Up to ₹50 lakh	3.8
23	CashBean	Up to 26%	₹1,500 to ₹60,000	4.3
24	RupeeLend	365% (APR)	₹10,000 to ₹1 lakh	2.6
25	AnyTimeLoan	18% – 54%	Up to ₹50 lakh	1.9

### Objectives of the Research

- To study the process of availing loans from Loan Apps
- To study customer queries related to the loans availed
- To study the customers knowledge about Digital Loan Based Apps commencing survey with questionnaire through Google Forms.

### Methodology

A survey method is used to study the customer's knowledge about Digital Based Loan Apps through Google forms by sharing them to potential loan availing groups. The potential group includes farmers,

employees, students and housewives of the urban area. Then the author relays upon the known facts and the secondary data collected through internet from various websites, newspapers and other sources.

**Data Interpretation Legal Sanity** The concept of Digital Lending Eco system as represented by the RBI in India exists with several technicalities related to credit. The primary initiation depends upon Balance Sheet Lending (BSL) and Market Place Lending (MSL) that have the differences of collecting capital from various sources and credit risk related to loans dispersed. Market Place Aggregators or Market Place Lending is providing credit without matching the needs of the lender and borrower in the balance sheet whereas the Balance Sheet lending is vice-versa. Fin Tech platforms so called NEO BANKS in India are more popular nowadays. They are also called as Lending Service providers and commonly recognized by the public as Digital Loan Based Apps. It has been observed that the NBFC have been using third parties to promote lending through APPS and advertise through social media to reach out the potential customers. Now Public Sector Banks in India have also opened new APPS to promote loans on their Digital Based Loan Apps. There are some illegal players who are misusing the platforms by charging hidden processing charges and high rate of interest and as well as flat interest without providing the information fairly to the borrowing customer. Density of DIGITAL LOAN APPS and illegal players App stores in which Indian Apps are available -81, Indian Apps that are having common key words like loan, interest, instant loan etc-1100 and not less than 600 Apps are illegal as disclosed by the RBI in their website. The Reserve Bank of India has taken important measures to control illegal digital loan based apps by introducing Sachet; a portal under State Level Coordination Committee for registering complaints. Even SMS are sent to registered mobile numbers of the loan availed customers in order to help them from any fraud that may have occurred in the overall process of availing and repayment of the loan. The toll free number for complaints is 14440 sent in the SMS by the RBI. The internet address is <https://cms.rbi.org.in> for complaints against NBFC for the public.

### Regulatory Policy Approach to Digital Lending (Section 3)

#### 3.1 Extant Indian Legal Regimes

##### 3.1.1 Banking Regulation (BR) Act, 1949:

##### 3.1.2 Reserve Bank of India (RBI) Act, 1934:

##### 3.1.3 Companies Act, 2013:

##### 3.1.4 State Money Lenders Acts:

### Findings: Survey Report based on Customer Knowledge about Loan Apps

#### 1. Loan Based Apps are under NBFC

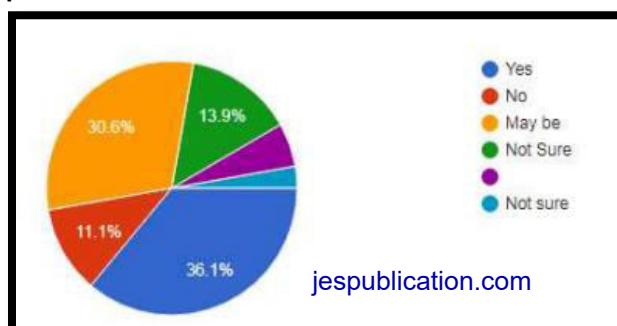


Figure 1.0 It is clear that loan Based Apps are under Non Banking Finance Companies as our results for the question supports the fact. But still people need financial education to understand about regulatory bodies and need to understand Banking Industry. (Note-The pink colour in the survey is intentionally left blank as some customers want to choose something unknown.)

## 2. Interest is high in Loan Based apps

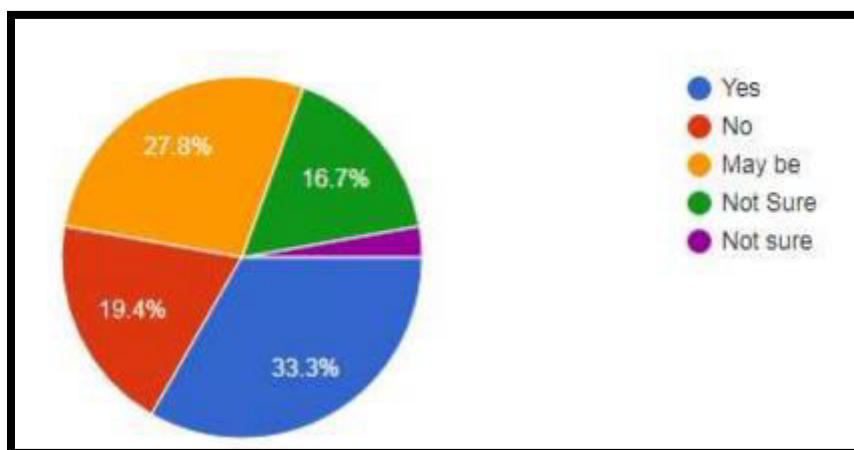


Figure1.1 Interest rates are high and results support the fact. But still people do not understand interest rates and types like flat and compound charged while loans are being processed after sharing the Terms and Conditions applicable. There is a desperate need to provide education regarding credit interest rates as many customers fail to understand the payable interest and time allowed.

## 3. Loan Based Apps are not taking any security for personal loans

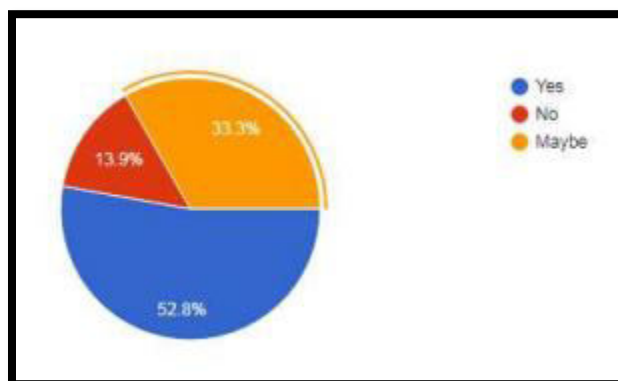


Figure1.2 It is clear by the above survey that customers feel that Digital Loan Apps are not taking security for providing loans. Still many customer do not understand the fact that loans are based on the credit history as reported by the CIBIL.

#### 4. Loan based Apps are charging Processing fee

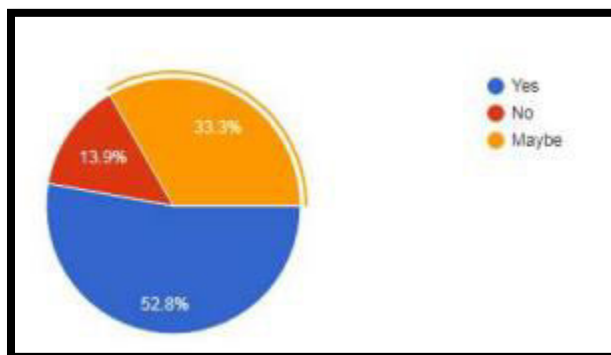


Figure1.3 Major Customers understand that the Digital Loan Based Apps charge processing fees for the sanctioned loan amount. It may be noted that up to 3 to 5% commonly all charge. GST of 18 percent will be charged on the amount of the processing fees.

#### 5. Loan Based Apps are considering CIBIL Score for availing loan

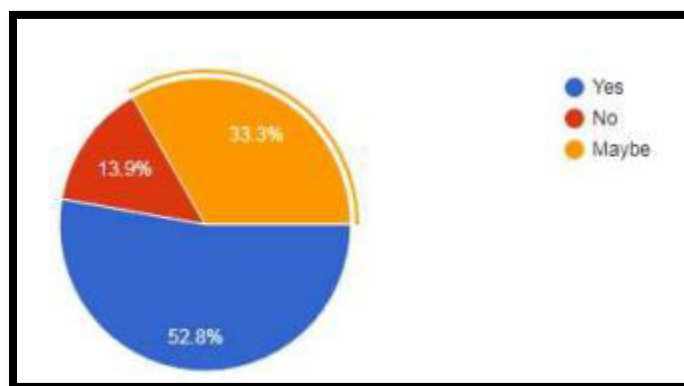


Figure1.4 so, it is considerable that the CIBIL score is more important in availing loans from the Digital Based Loan Apps. Report: In the overall survey the customers can easily judge that the Loan Based Apps are belonging to Non Banking Finance Companies (NBFC), charge high rate of interests, no securities are required for loans and CIBIL score plays a vital rule in availing loans from the Digital Loan Based Apps. Further it can be noted that the education of such financial concern is much necessary and awareness programme about such products will help the consuming communities.

#### CUSTOMER QUIRIES

- Loan based Apps do not provide details like rate of interest until the amount is sanctioned and the customer comes to know about this at the final stage.
- In some cases interest rates are flat that will be not known to the customer when he signs the loan agreement and loan agreements are provided after the loan is disbursed through online mode.

- To close the loan there are minimum installments like six to twelve that depends upon the company from which the loan has been availed.
- Processing fees with GST is charged for every customer up to 5% of the loan amount which is a bit more.
- Cross selling of personal insurance has been become common and some are fixing it mandatory that will be burden to customer.
- Even all Nationalized Banks are nowadays providing credit through Loan Apps but only customers related to same Banks can enjoy Preapproved Digital loans.
- Spam calls on mobile has been causing a lot of disturbance as continuously call on the same day.

### **Steps in availing Digital App based Loans**

- Download the App on your Android Mobile Phone
- Have a faster internet connection so that the task completes as early as possible.
- Arrange KYC documents like Aadhar Card, PAN and Bank Account details with Debit Card.
- Pay attention to Rate of Interest, no of installments and pre-closure time and charges.
- Check the account once amount is deposited.

### **Discussion:**

As new Apps are more flexible to provide loans but there are some rigid conditions that customers has to think off before they avail loan. On the contrary they charge 20 to 30 percent interest which is almost double compared to any of the Nationalized Banks. Some Loan Apps also provide a moderate rate of interest up to 15 percent. Customer should be aware of the processing fee, personal insurance related to loans, rate of interest, repayment tenure etc that is not provided by some of them on a random while dispersing the loan. There is Ombudsman of RBI for complaining if there are any kinds of frauds committed in the due course of the loan disbursed and repaid periodically. Social media like Instagram, Facebook and Whats up are used for advertisement and there are chances of committing frauds. It is better to check the company details before you avail loan.

### **Practical Implications**

- Please understand the interest rates and repayment tenure before your loan is disbursed or you agree for terms and conditions applicable.
- There are frauds committed on the name of Lending Companies; so, don't pay any processing fees well in advance.
- Have Patience to calculate the interest rates and pursue either it is flat or cut interest.
- Don't provide anybody's details for guarantor as it is not existing in the procedure.
- In case of top-up, pursue the old and new loan as well as rate of interest.

### **Scope for further Research**

It is necessary to find the charges like processing, interest rates and repayment tenures comparing other Apps while availing loans.

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