



RESEARCH ARTICLE

IMPACT OF CIBIL SCORE ON THE FINANCIAL MANAGEMENT OF BORROWERS: EVIDENCE FROM PALAKKAD DISTRICT

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ABSTRACT

Background: Credit scores such as the CIBIL score play a crucial role in determining borrowers' access to credit and their overall financial behaviour. However, awareness and understanding of credit scoring mechanisms remain uneven among borrowers, particularly in semi-urban and rural regions. This raises important concerns regarding financial literacy, credit awareness, and the challenges faced by individuals with low credit scores. **Objectives:** The study aims to assess the level of financial literacy among borrowers, examine their awareness regarding the methodology of CIBIL score calculation, and identify the challenges faced by individuals with low credit scores in managing their finances. **Methods:** The study adopted a descriptive and analytical research design. Primary data were collected through a structured questionnaire from 120 respondents selected using a convenience sampling method, including salaried individuals, self-employed persons, and business owners in Palakkad district. Statistical tools such as Two-way ANOVA and MANOVA were used to analyse variations in financial literacy, awareness, and challenges across demographic variables. **Results:** The findings reveal that educational qualification significantly influences financial literacy and awareness, while age does not show a significant impact on certain variables. However, both age and education significantly affect financial management practices. Awareness of the CIBIL score was found to be moderate, with occupation and age influencing monitoring behaviour. Borrowers with low CIBIL scores face significant challenges in accessing credit and loan approvals, along with financial and personal constraints. The type of loan availed also significantly affects the nature of these challenges. **Conclusion:** The study highlights the critical role of CIBIL scores in shaping borrowers' financial behaviour and access to credit. It emphasizes the need for targeted financial literacy programs, transparent credit information systems, and inclusive lending practices to enhance financial inclusion and financial stability.

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INTRODUCTION

In the contemporary financial ecosystem, access to credit has become a cornerstone of economic participation for individuals and businesses alike. Whether for purchasing a home, funding education, or managing business operations, borrowing plays a crucial role in enabling financial mobility. In this context, credit scores such as the CIBIL (Credit Information Bureau India Limited) score have emerged as an important determinant in lending decisions (Johri et al., 2025). The CIBIL score, a three-digit number ranging from 300 to 900, reflects an individual's creditworthiness based on repayment history, credit utilization, and related financial behaviour. Despite its growing importance, awareness of the CIBIL score remains uneven, particularly among first-time borrowers and individuals from middle- and low-income backgrounds. Many borrowers lack clarity regarding how their financial actions influence their credit score and how it affects access to loans, interest rates, and financial opportunities (Laxmanan, 2020;

Altaf & Shah, 2025). This lack of awareness may result in uninformed financial decisions, loan rejections, and increased dependence on informal credit sources. Existing literature highlights the significance of credit scoring systems in financial decision-making. Johri et al. (2025) emphasize the role of advanced credit scoring models in improving borrower risk prediction and lending efficiency. Similarly, Hiremath (n.d.) notes that higher CIBIL scores improve loan approval rates and access to favourable interest rates, while lower scores create barriers to formal credit. Studies by Laxmanan (2020) and KH and Nedumaran (2024) report limited borrower awareness regarding score calculation and its implications, leading to poor financial management practices. Altaf and Shah (2025) further observe that credit information systems reduce uncertainty in lending, whereas Patel et al. (2021) establish a strong relationship between financial literacy and effective credit score management.

However, despite these contributions, there remains limited understanding of borrowers' overall financial literacy, awareness of CIBIL score mechanisms, and the practical challenges they face in maintaining or improving their credit scores, particularly in semi-urban regions such as Palakkad district. Limited research has also examined misconceptions regarding score calculation, monitoring behaviour, and the specific challenges faced by borrowers with low credit scores. The present study addresses this gap by focusing on borrowers' awareness, financial literacy, and challenges associated with the CIBIL score. The study is confined to individuals in Palakkad district, including salaried employees, self-employed individuals, and small business owners. The findings are expected to provide useful insights for financial literacy initiatives and policy interventions. As India moves towards a more formalized and digitized credit system, credit scores play a critical role in promoting financial inclusion. However, this shift assumes a level of financial literacy that many borrowers do not possess, thereby creating barriers to formal credit access. Understanding borrower awareness and challenges is therefore essential for designing inclusive financial systems.

The objectives of the study are:

- To identify the level of financial literacy among borrowers.
- To examine the level of awareness regarding the methodology of calculating the CIBIL score.
- To identify the challenges faced by borrowers with low CIBIL scores.

MATERIALS AND METHODS

This study adopts a descriptive and analytical research design to examine the financial literacy, awareness, and challenges faced by borrowers in relation to the CIBIL score. The study focuses on individual borrowers, both potential and existing, in Palakkad district. Primary data were collected through a structured questionnaire administered to respondents, while secondary data were obtained from research articles, government reports, and other relevant publications. The population of the study comprises individual borrowers from various financial institutions in Palakkad, including salaried individuals, self-employed persons, business owners, and first-time borrowers from middle- and low-income groups.

A sample of 120 respondents was selected using a convenience sampling method (non-probability technique), considering time constraints and ease of access to respondents. The sampling unit of the study is an individual borrower who is approached for data collection. The collected data were analysed using appropriate statistical tools such as Two-way Analysis of Variance (ANOVA) and Multivariate Analysis of Variance (MANOVA) to examine variations in financial literacy, awareness, and challenges across different demographic variables.

RESULTS

Demographic Profile of Respondents: The demographic characteristics of the respondents, including age, gender, educational qualification, occupation, and monthly income, are presented in Table 1.

Table 1. Demographic profile of Respondents

Particulars	Category	No of respondents	Per cent
Age	25 - 35	14	11.7
	35 - 45	35	29.2
	45 and above	71	59.2
	Total	120	100
Gender	Male	63	52.5
	Female	57	47.5
	Total	120	100
Educational qualification	School level	40	33.3
	Undergraduate	48	40
	Postgraduate	32	26.7
	Total	120	100
Occupation	Government	13	10.8
	Private employees	44	36.7
	Self employed	39	32.5
	Business	24	20
	Total	120	100
Monthly income	Below 20000	38	31.7
	20000 - 40000	41	34.2
	40000 - 60000	24	20
	60000 - 80000	17	14.2
	Total	120	100

Source: Primary Data

As shown in Table 1, the majority of respondents (59.2%) belong to the age group of 45 years and above. In terms of gender, 52.5% are male and 47.5% are female. Regarding educational qualification, 40% of respondents are undergraduates, followed by 33.3% with school-level education and 26.7% postgraduates. Occupational distribution indicates that 36.7% of respondents are private employees, while 32.5% are self-employed. With respect to monthly income, 34.2% of respondents fall within the ₹20,000–₹40,000 income range.

Financial Literacy among Borrowers: Financial literacy is a key determinant of borrowers' financial behaviour, influencing their ability to understand financial concepts and manage resources effectively. The analysis identified two major components: (i) Financial Literacy and Awareness, and (ii) Financial Management and Practices.

Financial Literacy and Awareness: The variation in financial literacy and awareness across age and educational qualification was analysed using Two-way ANOVA, and the results are presented in Table 2. The results indicate that educational qualification has a statistically significant effect on financial literacy and awareness ($F = 4.552, p < 0.05$), whereas age does not show a significant effect ($F = 1.125, p > 0.05$). This implies that differences in financial literacy and awareness among borrowers are primarily influenced by educational attainment rather than age. Respondents with higher levels of education tend to demonstrate better understanding of financial concepts and credit-related information.

Financial Management and Practices: The variation in financial management practices across age and educational qualification was analysed using Two-way ANOVA, and the results are presented in Table 3. The findings reveal that both age ($F = 8.187, p < 0.05$) and educational qualification ($F = 6.653, p < 0.05$) have a statistically significant effect on financial management practices. This indicates that financial

Table 2. Two-way ANOVA – Test of between-subject effects

Source	Type II Sum of Squares	df	Mean Square	F	Sig.
Model	539.012a	5	107.802	351.913	<0.01***
Age	.689	2	.345	1.125	.328
Educational qualification	2.789	2	1.394	4.552	<0.01***
Error	35.228	115	.306		
Total	574.240	120			

Source: Primary Data

*Significant at 5 per cent

Table 3 Two-way ANOVA – Test of Between Subject-Effects

Source	Type II Sum of Squares	df	Mean Square	F	Sig.
Model	791.046a	5	158.209	526.155	<0.01***
Age	4.924	2	2.462	8.187	<0.01***
Educational qualification	4.001	2	2.000	6.653	<0.01***
Error	34.579	115	.301		
Total	825.625	120			

Source: Primary Data

*Significant at 5 per cent

Table 4. Two-way MANOVA – General Linear Model

Effect	Value	F	Hypothesis df	Error df	Sig.	
Age	Pillai's Trace	.948	17.245	9.000	336.000	<0.01***
	Wilks' Lambda	.059	65.765	9.000	267.862	<0.01***
	Hotelling's Trace	15.974	192.877	9.000	326.000	<0.01***
	Roy's Largest Root	15.968	596.123b	3.000	112.000	<0.01***
Educational qualification	Pillai's Trace	.081	1.566	6.000	222.000	.158
	Wilks' Lambda	.919	1.573c	6.000	220.000	.156
	Hotelling's Trace	.087	1.580	6.000	218.000	.154
	Roy's Largest Root	.078	2.900b	3.000	111.000	.038**
Occupation	Pillai's Trace	.262	3.571	9.000	336.000	<0.01***
	Wilks' Lambda	.738	3.951	9.000	267.862	<0.01***
	Hotelling's Trace	.354	4.276	9.000	326.000	<0.01***
	Roy's Largest Root	.353	13.195b	3.000	112.000	<0.01***

Source: Primary Data

*Significant at 5 per cent

Table 5. Estimated Marginal Mean of Grand mean

Dependent Variable	Mean	Std. Error	95% Confidence Interval	
			Lower Bound	Upper Bound
Awareness of CIBIL Score	2.551	.097	2.358	2.744
Awareness of factors influencing credit score	2.494	.097	2.303	2.686
Credit management practices and monitoring	2.509	.116	2.279	2.739

Source: Primary Data

Table 6. ONE-WAY MANOVA General Linear Model

Effect	Value	F	Hypothesis df	Error df	Sig.	
Types of loans availed	Pillai's Trace	.980	22.107	10.000	230.000	<0.01***
	Wilks' Lambda	.050	78.905b	10.000	228.000	<0.01***
	Hotelling's Trace	18.292	206.704	10.000	226.000	<0.01***
	Roy's Largest Root	18.259	419.961c	5.000	115.000	<0.01***

Source: Primary Data

*Significant at 5 per cent

Table 7. Estimated Marginal Mean of Grand mean

Dependent Variable	Mean	Std. Error	95% Confidence Interval	
			Lower Bound	Upper Bound
Credit access and loan approval	2.058	.055	1.949	2.166
Financial and personal barriers	1.972	.057	1.859	2.084

Source: Primary Data

management behaviour varies across different age groups as well as educational levels. In particular, individuals with higher educational qualifications and those belonging to certain age groups tend to exhibit better financial management practices, such as budgeting, repayment planning, and responsible borrowing.

Awareness of CIBIL Score among Borrowers: Awareness of the CIBIL score plays a significant role in determining borrowers' access to credit and their overall financial

behaviour. In this study, awareness was measured using structured questionnaire items, and factor analysis identified three dimensions: (i) General Awareness of CIBIL Score, (ii) Awareness of Factors Influencing Credit Score, and (iii) Credit Management Practices and Monitoring. The effect of demographic variables on these dimensions was analysed using Two-way MANOVA, and the results are presented in Table 4. The results indicate that age and occupation have a statistically significant effect on awareness of the CIBIL score

($p < 0.01$), whereas educational qualification does not show a significant effect ($p > 0.05$). This suggests that awareness levels vary across different age groups and occupational categories but are not significantly influenced by educational background. The overall level of awareness was further examined using mean values, as presented in Table 5. The mean scores indicate a moderate level of awareness among borrowers (grand mean = 2.494). This implies that while borrowers possess a basic understanding of the CIBIL score and its implications, there is still a need for improved awareness regarding factors influencing credit scores and effective credit management practices.

Challenges Faced by Borrowers with Low CIBIL Scores:

Borrowers with low CIBIL scores face multiple challenges that limit their access to formal credit and affect their financial stability. In this study, these challenges were analysed using structured questionnaire items, and factor analysis identified two key dimensions: (i) Credit Access and Loan Approval, and (ii) Financial and Personal Barriers. The effect of the type of loan availed on these challenges was analysed using One-way MANOVA, and the results are presented in Table 6. The results indicate that the type of loan availed has a statistically significant effect on the challenges faced by borrowers with low CIBIL scores ($p < 0.05$). This suggests that the nature and combination of loans influence the extent of difficulties experienced by borrowers in accessing credit and managing financial obligations. The mean scores indicate that borrowers face considerable challenges in both dimensions, with slightly greater difficulty in credit access and loan approval (mean = 2.058) compared to financial and personal barriers (mean = 1.972). This implies that access to formal credit remains a primary concern for individuals with low CIBIL scores.

DISCUSSION

The present study examined the role of financial literacy, awareness of CIBIL score, and the challenges faced by borrowers in managing their credit behaviour. The findings provide important insights into how demographic factors influence financial understanding and access to credit. The results indicate that educational qualification significantly influences financial literacy and awareness, whereas age does not show a significant effect. This finding suggests that formal education plays a crucial role in enhancing individuals' understanding of financial concepts, loan conditions, and credit-related information. This is consistent with the findings of Patel et al., who reported that higher levels of education are associated with better financial decision-making and improved credit management. The lack of significant influence of age on financial literacy indicates that knowledge is more dependent on educational exposure than on experience alone. With respect to financial management practices, the study found that both age and educational qualification have a significant effect. This implies that while education enhances knowledge, age and experience contribute to the practical application of financial skills such as budgeting, repayment planning, and responsible borrowing. This aligns with previous studies which highlight that financial behaviour is shaped by both cognitive understanding and experiential learning. The analysis of awareness of the CIBIL score revealed that age and occupation significantly influence awareness levels, whereas educational qualification does not have a significant effect. This is an interesting finding, as it suggests that awareness of credit

systems is not solely dependent on formal education but is also influenced by exposure to financial activities and professional environments. Individuals engaged in occupations with frequent financial interactions may develop better awareness and monitoring practices. This partially supports the findings of Altaf and Shah, who emphasize the role of credit information systems in shaping borrower behaviour through practical engagement rather than formal education alone.

The overall level of awareness among borrowers was found to be moderate, indicating that while borrowers possess a basic understanding of credit scores, there remain gaps in their knowledge regarding factors affecting credit scores and effective credit management practices. This finding is consistent with studies conducted in the Indian context, such as Laxmanan, which highlight limited awareness and the need for targeted financial literacy initiatives. The study also reveals that borrowers with low CIBIL scores face significant challenges in accessing credit and managing financial obligations, with greater difficulty observed in credit access and loan approval compared to personal and financial barriers. This indicates that low credit scores act as a major constraint in accessing formal financial services, often leading to financial exclusion. The results further show that the type of loan availed significantly influences the level of challenges faced, suggesting that certain loan combinations may increase financial burden and repayment pressure. These findings support earlier research which emphasizes the critical role of credit scores in determining loan eligibility and financial stability. Overall, the findings highlight that while financial literacy and awareness are improving, significant gaps still exist, particularly among specific demographic groups. The interaction between education, age, and occupation plays a crucial role in shaping borrower behaviour, awareness, and access to credit. These insights underline the need for more targeted and practical financial education programs that go beyond theoretical knowledge and focus on real-world application.

CONCLUSION

The study explored how the CIBIL score influences the financial management behaviour of borrowers, particularly in terms of awareness, credit access, and financial decision-making. The findings indicate that demographic factors such as education, age, and occupation play an important role in shaping financial literacy and management practices. While education contributes significantly to financial understanding, age and experience appear to influence how this knowledge is applied in real-life financial situations. It is also observed that awareness of the CIBIL score is not uniform across borrowers. Although a basic level of understanding exists, gaps remain in terms of how credit scores are calculated and how they can be effectively managed. These gaps become more evident among certain demographic groups, indicating the need for more practical and accessible financial education. Another important observation from the study is the difficulty faced by borrowers with low CIBIL scores. Limited access to formal credit and challenges in loan approvals continue to act as major constraints, often pushing individuals towards less favourable financial options. At the same time, the findings suggest that borrower behaviour is not static, and many individuals make efforts to improve their credit standing when adequate information and support are available. Taken together, the study highlights that the CIBIL score functions not only as a

measure of creditworthiness but also as a factor that can influence financial inclusion. Addressing the existing gaps in awareness and access can help create a more balanced credit environment where borrowers are better equipped to manage their financial responsibilities.

LIMITATIONS

The study is subject to certain limitations. It adopts a cross-sectional research design, which restricts the ability to establish causal relationships among variables. The analysis is primarily based on ANOVA and MANOVA techniques; the use of more advanced methods such as regression or structural equation modelling could provide deeper insights into complex relationships. Additionally, the study is limited to a specific geographical area and time period, and does not account for external factors such as policy changes or evolving financial environments, which may influence borrower behaviour and perceptions.

RECOMMENDATIONS

The findings of the study highlight several practical implications. First, there is a need to strengthen financial literacy initiatives, particularly among individuals with lower educational backgrounds. Structured programs such as workshops, awareness campaigns, and community-based training can help borrowers better understand credit systems and make informed financial decisions. Second, financial institutions should promote responsible borrowing and repayment practices by encouraging the use of budgeting tools, repayment reminders, and financial planning support. Such measures can help improve financial discipline and credit behaviour among borrowers. Third, awareness regarding CIBIL scores and their determinants should be enhanced through targeted communication strategies. Banks and credit agencies can design customized awareness programs for different occupational groups to ensure wider understanding of credit score mechanisms. Finally, financial institutions should adopt more inclusive lending practices for borrowers with low credit scores.

Flexible loan structures, such as repayment restructuring, microcredit options, and temporary relief measures, can help reduce financial exclusion and support borrowers in improving their creditworthiness over time.

Conflict of Interest: The authors declare no conflict of interest.

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Key Points

- Educational qualification influences financial literacy.
- Awareness of CIBIL score remains moderate.
- Age and occupation affect borrower awareness.
- Low CIBIL scores create barriers to formal credit.
- Financial literacy programs can improve inclusion.

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