Here is a detailed explanation of the criteria that a Non-Banking Financial Company (NBFC) in India considers before approving a loan:

**1. Age**

**Explanation:** The age of the applicant. Younger applicants may have more time to repay longterm loans, while older applicants might be seen as more financially stable.

**Example:** A 25yearold applying for a home loan might get a longer tenure compared to a 55yearold applicant.

**2. Employment Status**

Explanation: Whether the applicant is employed, self employed, or unemployed. Stable employment indicates a reliable source of income.

Example: An individual with a permanent job at a reputed company is considered lower risk compared to someone with a temporary job.

**3. Income**

Explanation: The applicant's monthly or annual income. Higher income suggests a better ability to repay the loan.

Example: Someone earning ₹1,00,000 per month is more likely to get a loan approved than someone earning ₹20,000 per month.

**4. Zip Code**

Explanation: The location of the applicant's residence. Some areas may be considered higher risk due to economic conditions or historical default rates.

Example: Living in a wellestablished urban area might be seen more favorably than living in a remote rural area.

**5. Resident Type**

Explanation: Whether the applicant owns or rents their home. Homeowners are generally seen as more stable and less likely to default.

Example: Owning a house outright indicates financial stability compared to renting an apartment.

**6. Years at Current Address**

Explanation: The number of years the applicant has lived at their current address. Longer residence suggests stability.

Example: Living at the same address for 10 years indicates a stable lifestyle.

**7. CIBIL Score**

Explanation: A numerical representation of the applicant's creditworthiness. A higher CIBIL score indicates a good credit history and lower risk.

Example: A CIBIL score of 750+ is generally considered good and indicates reliable repayment history.

**8. Number of Open Accounts**

Explanation: The number of active credit accounts the applicant has. Too many open accounts can be seen as a risk.

Example: Having 23 open credit cards is manageable, but having 10 might indicate potential financial strain.

**9. Number of Closed Accounts**

Explanation: The number of credit accounts that have been closed. This shows the applicant's past credit behavior.

Example: Closing accounts regularly might indicate good financial management.

**10. Inquiry Count**

Explanation: The number of times the applicant's credit report has been checked by lenders. Too many inquiries in a short period can be a red flag.

Example: If there are 10 inquiries in 3 months, it might indicate financial trouble.

**11. Credit Utilization Ratio**

Explanation: The ratio of the applicant's current credit card balances to their credit limits. A lower ratio is preferable.

Example: Using ₹20,000 out of an ₹1,00,000 limit is a healthy ratio.

**12. Delinquent Months**

Explanation: The number of months the applicant has been delinquent on any loan or credit account. Recent delinquencies are a red flag.

Example: Being 2 months overdue on a loan payment could negatively impact approval chances.

**13. Months Since Last Delinquency**

Explanation: The number of months since the applicant's last delinquency. The longer the period, the better.

Example: If it has been 24 months since the last delinquency, it shows improvement in financial behavior.

**14. Loan Amount**

Explanation: The amount of money the applicant wants to borrow. Higher amounts may require more stringent checks.

Example: Borrowing ₹50,000 is less risky than borrowing ₹5,00,000.

**15. Loan Purpose**

Explanation: The reason for taking the loan. Loans for productive purposes are seen more favorably than personal consumption.

Example: A loan for business expansion is more likely to be approved than a loan for a vacation.

**16. Loan to Income Ratio**

Explanation: The ratio of the loan amount to the applicant's income. Lower ratios indicate lower risk.

Example: A loan amount of ₹1,00,000 with an income of ₹5,00,000 per year is a safer bet.

**17. Processing Fee**

Explanation: A fee charged by the NBFC for processing the loan application. This fee varies and can impact the overall cost of the loan.

Example: A processing fee of 2% on a ₹1,00,000 loan would be ₹2,000.

**18. Net Disbursement**

Explanation: The amount of money that will actually be disbursed to the borrower after deducting fees and charges.

Example: If the sanctioned amount is ₹1,00,000 and the processing fee is ₹2,000, the net disbursement would be ₹98,000.

**19. Sanctioned Amount**

Explanation: The total amount approved by the NBFC. This may be different from the amount applied for based on the NBFC's risk assessment.

Example: An applicant might apply for ₹5,00,000 but only be sanctioned ₹4,00,000 based on their credit profile.

These criteria help NBFCs assess the risk and reliability of borrowers, ensuring that loans are given to those who are likely to repay them. Understanding these parameters can help applicants improve their chances of loan approval.