

### **Credit Counseling**

With the increase of retail lending in Commercial Banking sector in India, Banks have now shifted their focus from traditional need-based lending to a broad-based portfolio lending and hence retail lending has become a mainstream business. Whilst regular regulatory and supervisory initiatives are being taken by the Reserve Bank of India (RBI) to ensure soundness of the financial system, consumer empowerment and awareness are vital for the success of such initiatives. In this context, credit counseling assumes great relevance as there is a need to guide and assist financially stressed individuals on the importance of maintaining healthy credit behavior and be aware of their finances. Credit counseling provides sound advice to consumers who then take charge of their finances, overcome and tackle their financial inabilities and finally walk free from any possible debt issues.

Credit counseling can be defined as 'counseling that explores the possibility of repaying debts outside bankruptcy and educates the debtor about credit, budgeting and financial management'. It broadly serves three purposes.

- Examines the ways to solve current financial problems.
- Improves financial management by educating about the costs of misusing credit.
- Encourages distressed people to access the formal financial system.

In other words, Credit counseling is a manner of advisory services and creation of awareness of financial system regarding the rights and obligations of the Borrower whether he/she is a First Time User (FTU) or a First Time Loanee or individuals who are facing financial strain due to unlimited borrowing. The credit counseling will help the persons or entities who make late payments of their installments/dues and those who are classified as defaulters. The high write offs and high credit utilisations due to high number of enquiries and borrowings result in negative score in credit reports of the evaluating credit agencies and hence there is a need to guide.

#### **Benefits of credit counseling**

Credit counseling helps customers/banks in many ways, some of which are -

- Access to structured financial system and advising them on gaining access.
- Creation of awareness among the present and prospective customers about financial management.
- Assisting and Advising Borrowers for rehabilitation of Stressed and trapped individuals and household due to high market linkage.

- Providing Debt resolution to people who are struggling to meet repayment obligations on time.

#### **Effects of Credit counseling**

- Financial Literacy with CIBIL, Equifax and other credit rating agencies apart from communications on commodity and share trading in peripherals.
- Enhancing occupational skills and habit of savings through Savings Account, Current Account, Fixed Deposits, Insurance and Mutual funds.
- Market linkages due to various avenues and maintainability of their credit ratings for enhancing the borrowing capacity.
- There are public interest programs to create awareness and customer satisfaction.

#### **IndusInd Bank as a Credit Counselor:**

IndusInd Bank has taken several initiatives towards providing an effective credit Counseling. Some of them are:

- Customer exposures are monitored through personal interactions and customer visits.
- All Business, Collections, Legal Recovery are done by executives who believe in creating relationship and trustworthiness.
- Counseling done at every stage from prospective customer to defaulting customer through guidance and options on current financial strength of borrower and co-borrowers.
- Customer meets are conducted on periodical basis apart from regular executive interactions.
- A transparent approach adopted in case of default which comprises of reminders, messages, statements and dunning letters at different stages of delinquency.
- Rescheduling and Rephrasing of loan to ease out the customer in case of financial strain.
- Daily balance message and instant debit message to customers to know their credit position.
- Video Banking implemented by first bank on specific transactions.
- Toll free facility for customer care.
- Linking of Nodal officer to Credit Department and Coordination of Speedy redressal of customer grievances on single point.
- Confidentiality and Free of charge counseling of customers.

#### **Credit Counselors on Contact:**

For Credit Cards, Personal Loans

Mr. Pushkar Kumar

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Designation: Deputy Vice President

For Loan against Property, Loan Against Shares, Gold Loan, Loan Against Bills Receivables and Business Installment Loans

Mr. Gaurav Sharma

Contact: 011-49433409  
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Designation: Deputy Vice President

For vehicle finance related cases.  
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