

How To Improve Your Credit Score?

These steps can help you increase your credit score

- **Score builder credit products:** Get a score builder credit card or personal loan, through which you can pay the monthly bills regularly to improve your credit score.
- **Make payments on time:** Your payment record is the most important factor in calculating your credit score and can form up to one-third of your score. It is very important to make sure that you make all payments on time and in full. Even a single missed or delayed payment can affect your score.
- **Do not exceed 50% of your credit limit:** For example, if your credit limit is Rs. 1 lakh, limit your monthly spending to less than Rs. 50,000. If you consistently exceed that limit, it reflects lack of spending discipline and will negatively affect your score. Keeping within this limit will help increase your score.
- **Check your credit score on a regular basis:** You might think that you have a good credit score, but there might be other factors, like administrative errors or fraud, that might be dragging down your score. For instance, you might have paid your loan in full but it might still be shown as outstanding due to a reporting mistake. Check your report and immediately notify the bureau of any mistakes or suspicious activity so that it is rectified right away. Eliminating these errors will help improve your score.
- **Maintain an optimal mix of loans:** Maintain a balance between secured (home/auto/gold) loans and unsecured (personal) loans. Having a higher proportion of secured loans has a positive effect on your credit score.
- **Avoid applying for multiple loans in a short time period:** Each time your loan or credit card application is rejected, it will affect your credit score. When lenders receive an application, they access your credit report through an 'enquiry'. Too many enquiries without corresponding loan approvals leads to a drop in your score. It is advisable to first improve your score and your credit-worthiness before applying again for a loan.