

A CIBIL score, which ranges from 300 to 900, is a crucial measure of an individual's creditworthiness in India. It fluctuates based on various factors related to an individual's credit behavior and financial activities. Here are the key reasons why a CIBIL score may go down or up:

Reasons for CIBIL Score Going Down

1. **Late Payments:**

- Delaying payments on loans or credit cards can negatively impact your score. Consistent late payments indicate poor credit behavior.

2. **High Credit Utilization Ratio:**

- Using a large portion of your available credit limit (generally over 30%) can signal a higher credit risk, leading to a lower score.

3. **Defaults or Settlements:**

- Defaulting on loans or settling for an amount less than the owed can significantly reduce your score.

4. **Frequent Credit Inquiries:**

- Applying for multiple loans or credit cards within a short period results in hard inquiries, which can lower your score.

5. **High Number of Unsecured Loans:**

- Having too many unsecured loans (like personal loans) compared to secured loans (like home loans) can negatively impact your score.

6. **Errors on Credit Report:**

- Incorrect information, such as an inaccurately reported late payment or default, can also lower your score.

7. **Closing Old Accounts:**

- Closing old credit accounts can reduce your average credit age, which can negatively impact your score.

Reasons for CIBIL Score Going Up

1. Timely Payments:

- Consistently paying your loan EMIs and credit card bills on or before the due date positively impacts your score.

2. Low Credit Utilization:

- Keeping your credit utilization ratio below 30% of your available credit limit can help improve your score.

3. Diverse Credit Mix:

- Having a balanced mix of secured (e.g., home loans) and unsecured (e.g., personal loans) credit can improve your score.

4. Limited Credit Inquiries:

- Limiting the number of credit applications reduces hard inquiries, which can help maintain or improve your score.

5. Long Credit History:

- Maintaining older credit accounts helps increase your average credit age, which is beneficial for your score.

6. Rectifying Errors:

- Regularly checking your credit report and correcting any errors can help improve your score.

7. Paying Off Debts:

- Reducing overall debt levels by paying off outstanding balances can positively impact your score.

Best Practices for Maintaining a Good CIBIL Score

- **Regular Monitoring:** Regularly check your credit report for any discrepancies and address them promptly.
- **Debt Management:** Keep your debt levels low and manage your credit responsibly.
- **Avoid Over-borrowing:** Only apply for credit when necessary to avoid multiple hard inquiries.
- **Financial Discipline:** Maintain financial discipline by budgeting and managing expenses to ensure timely payments.

By understanding these factors, individuals can take proactive steps to maintain a healthy CIBIL score, which is essential for securing favorable credit terms in the future.