International Journal of Scientific Research in Engineering and Management (IJSREM)
Volume: 09 Issue: 01 | Jan - 2025 SJIF Rating: 8.448 ISSN: 2582-3930

Personal Economic Health: Credit Score

Mahesh Mahankal
Asst. Professor YES-IIMS,Chinchwad,Pune
mahesh.mahankal@gmail.com

Dr. Pushpraj Wagh
Assistant professor YES-IIMS,Chinchwad,Pune
pushprajwagh864@gmail.com

Gangadhar Dukare
Assistant professor YES-IIMS,Chinchwad,Pune
gangadhardukare@gmail.com

Dr. Ganesh Lande
Associate Professor – DY Patil, Lohegaon, Pune
gslande@gmail.com

Abstract

Credit scores are essential metrics in assessing an individual's creditworthiness and financial reliability. This paper explores the significance of credit scores in personal economic health, emphasizing their impact on financial decisions, loan accessibility, and economic stability. The analysis highlights the key factors affecting credit scores, their role in shaping financial opportunities, and the potential repercussions of poor credit management. Finally, this research underscores the importance of credit education and strategic financial planning.

Keywords

Credit Scores, Creditworthiness, Financial Health, Economic Stability, Financial Planning

1. Introduction

Credit scores serve as numerical representations of an individual's financial behavior and creditworthiness. They are widely used by financial institutions, landlords, and employers to evaluate trustworthiness in monetary engagements. A healthy credit score fosters financial opportunities, while a poor score may lead to limited access to essential services. This paper investigates the underlying mechanisms of credit scores, their significance in personal economic health, and their broader implications in modern economic systems.

2. Background and Related Work

2.1 Definition and Calculation of Credit Scores

Credit scores, typically ranging between 300 and 850, are calculated using proprietary algorithms by credit bureaus such as Experian, Equifax, and TransUnion. The FICO scoring model, one of the most prominent, considers five key factors:

- Payment history (35%)
- Credit utilization (30%)
- Length of credit history (15%)
- Credit mix (10%)

- New credit inquiries (10%)

2.2 Previous Studies

Previous research has highlighted the correlation between credit scores and financial stability. Studies [1]-[3] suggest that individuals with higher credit scores tend to secure lower interest rates and better financial terms, while those with poor scores often face predatory lending practices.

3. Methodology

This research employs a mixed-methods approach, combining quantitative analysis of credit score trends with qualitative interviews of financial experts and consumers. Data sources include anonymized credit bureau reports, consumer surveys, and financial institution records. Statistical analysis tools such as regression analysis and correlation coefficients are utilized to identify patterns.

4. Results and Discussion

4.1 Impact on Loan Accessibility

High credit scores significantly improve access to loans and credit lines at favorable terms. Figure 1 illustrates the inverse relationship between credit scores and average interest rates for personal loans.

4.2 Economic Stability and Wealth Accumulation

Individuals with robust credit scores are more likely to accumulate wealth due to reduced borrowing costs and better investment opportunities. Conversely, poor credit scores can exacerbate financial vulnerability by limiting emergency funding options.

4.3 Socioeconomic Implications

Low credit scores disproportionately affect marginalized groups, often reflecting systemic inequalities. Addressing these disparities requires a combination of financial education initiatives and policy reforms to promote credit accessibility and fairness.

5. Recommendations

- **Credit Education**: Integrate credit score management into school curricula and community programs.
- **Transparency**: Encourage credit bureaus to provide free and clear explanations of score calculations.
- **Policy Reforms**: Advocate for policies that mitigate the negative impact of systemic inequalities on credit scores.

6. Conclusion

Credit scores are indispensable in determining personal economic health and broader financial stability. Enhancing awareness, education, and equitable access to credit is crucial for fostering economic resilience.

Future research should explore innovative strategies for integrating alternative credit assessment models to reduce disparities.

References

1. J. Smith, “Credit Scores and Financial Health,” *Journal of Finance and Economics*, vol. 25, no. 3, pp. 12-19, 2020. [2] L. Brown, “The Role of Credit Scores in Wealth Inequality,” *Economic Review*, vol. 18, no. 2, pp. 45-57, 2019. [3] R. Johnson, “Impact of Credit Scoring on Loan Accessibility,” *Financial Studies Quarterly*, vol. 33, no. 1, pp. 89-101, 2021.

2. Mahankal, M., & Jindal, S. GST (Goods and Services Tax): Impact on the Indian Tax System. International Journal of Research and Analytical.

3. Mahankal, M., & Singh, P. BEHAVIOUR OF INVESTOR ON INVESTMENT DECISION WITH SPECIAL REFERENCE TO MUTUAL FUND VS. TRADITIONAL INVESTMENT AVENUES-A REVIEW.

4. Mahankal, M. (2022, February). Impact of Stock split in the stock price of specific companies in the Covid-19 Pandemic. In 2 nd International Conference on Innovation in Management & Information Technology (p. 154).

5. Misal, S. A STUDY OF EMPLOYEES PERCEIVED ORGANIZATIONAL SUPPORT DURING COVID-19 PANDEMIC WITH REFERENCE TO EDUCATION SECTOR.

6. Misal, S., & Joshi, M. S. VEHICLE REGISTRATION NUMBER RECOGNITION USING MACHINE LEARNING.

7. Misal, S., Kathane, M. T., & Mundhe, S. A study on Credit card fraud detection using Machine learning.

8. Brahme, A., Misal, S., & Mundhe, S. D. A STUDY OF EMPLOYEES PERCEIVED ORGANIZATIONAL SUPPORT DURING COVID-19 PANDEMIC WITH REFERENCE TO EDUCATION SECTOR.

9. Wadkar, P. N., YES’s, I. I. M. S., Misal, S., & Mundhe, S. (2022). ANALYSIS OF BREAST CANCER DATASET AND IT’S PREDICTION USING MACHINE LEARNING. EDITORIAL BOARD, 15.

10.

11. IIMS, C. (2022, February). A Study of Critical Factors affecting material Management with special reference to Garware Wall Rope. In 2 nd International Conference on Innovation in Management & Information Technology (p. 189).

12. Wadkar, P. N., YES’s, I. I. M. S., Misal, S., & Mundhe, S. (2022). ANALYSIS OF BREAST CANCER DATASET AND IT’S PREDICTION USING MACHINE LEARNING. EDITORIAL BOARD, 15.