

PAYDAY LOANS “NEED OF THE HOUR

PAYDAY Loan is a small, short-term unsecured loan where repayment of loan is linked to a borrower's payday. Such loans are either given against a personal post-dated cheques that is cashed by a lender on a payday; or they are repaid by means of electronic money transfer from a borrower's bank account on due payday.

Newsletter



Introduction to Payday Loan

A **Payday loan** is also known as payday advance or salary loan. It is a small, short-term unsecured loan where repayment of loan is linked to a borrower's payday i.e., the day they receive their pay that is why it is known as Payday loan.

Payday loan is granted to a borrower who is in employment or having employment records or previous payroll slips. In some situation, it could happen that a person is temporarily out of cash but in need of money to meet some urgent requirement, payday loans serve as the best option to meet out the expenses.

Payday loans have become more popular both due to the high demand and also due to the digital marketing and advertising companies in media and on internet. These loans are also known under the names of cash advance loans and instant loans. They are intended as instant financial help to the people in the situation of emergency and are available to all borrowers.

The concept is gaining much importance in the countries like America where about 70% of families live from paycheck to paycheck. A lot of people get such small salary that it becomes difficult

to manage any unforeseeable expense in between. This is quite understandable that friends can always help; however, more and more people tend to choose payday loans against all the other options.

"It appears that these products may work for some consumers for whom an expense needs to be overdue for a short period of time. The key for the product to work as structured, however, is a sufficient cash flow which can be used to retire the debt within a short period of time."

-Report of CFPB 2013.

In accordance with the **Pew Charitable Trusts 2015 report** based on a survey on payday loans in America, following features have been listed out:

- Payday loans are small cash loans offered for a short term with APR 300-500% on average that are supposed to be repaid in two-week period.
- The average number of people in America that use payday loans annually is about 12 million.
- 69% used payday loans to cover recurring expenses.
- 16% use such loans for cases of an unexpected expense.
- The survey showed that 75% of borrowers feel that this credit sector is insufficiently regulated.

- General public supports CFPB efforts for better regulation of the industry.
- Certain percent of the respondents are inclined to accept the alternative small cash opportunity provided by banks despite the fact that they are likely to be more expensive than usual credit card offers and similar products.

How pay day loans make a difference in India?

Payday loans are **short term loans** ranging from minimum 1 to a maximum of 60 days. There are now many online payday lenders in **Delhi/NCR** region who are helping people to meet the fund requirements in an urgent need of cash by offering instant loans. If a person needs money for short term emergencies, then it is an easy way to borrow money.

Any person, whose minimum age is 20 years and is currently employed, is eligible to avail such loan.

Following are the few features of Payday Loans in Indian market:

- ***Easy and Clear Solution***

Loans are being provided through a complete digital online platform to cover the unexpected needs when the requirement is urgent. There

are no hidden fees and complications. The money is transferred into the borrower's account within 15 minutes to an hour. Interest rates are usually high as compared to other types of loans, as they are taken for few days only.

- ***Short term needs only***

Pay day loan is offered for short term only as it is meant to meet the expenses in emergencies. They cannot be extended for months or years. The loan amount is also comparatively low with a minimum of Rs. 10,000/- to a maximum limit up to Rs. 1,00,000/- at one time so that it can be repaid without any difficulty.

- ***Loans for tight spots***

Unanticipated expenses are a part of life. When there is a need to meet some unforeseeable expense and it becomes tough to arrange for quick funds, payday loans come for the rescue in such situations.

- ***Easy Application Process***

With the advancement of technology and digitization, everything is done through online platforms. It is easy to apply for these short term loans online than for secured term deposits from banks. There is no documentation to be completed and no forms to be

filled. Everything is expedited to ensure instant disbursal of money.

- ***No Credit Checks***

Payday loans are known as 'no credit check' loans. One does not require a high credit score and obtaining a loan is considered easier as compared to conventional loans.

How Payday Loans Work?

Payday loans are short-term cash loans which are disbursed after retaining the borrower's personal paycheck for future deposit or on the basis of electronic access to the borrower's bank account.

Borrowers write a personal paycheck for the amount borrowed plus the finance charge and receive cash. In some cases, borrowers sign a mandate for electronic access to their bank accounts to receive and repay payday loans.

Lenders hold the paycheck until the borrower's next payday when loans and the finance charge must be paid in one lump sum. To pay a loan, borrowers can always redeem the paycheck by paying the loan in cash or may allow the paycheck to be deposited at the bank, or just pay the finance charge to roll the loan over for another pay period.

Payday Lenders

There are a number of online loan providers for the payday/short-term/instant loans to the people in India. A few of them has been listed below:

1. Rupeelend: Rupeelend is a company providing short term credit to consumers and entrepreneurs in India digitally. Rupeelend is a Delhi based Company and launched its website in 2015. Rupeelend is a secure and trustworthy way to borrow money for emergencies.

2. My Loan Buddy: The Company process funds within two hours to new customers and 10 minutes to a returning customer with 100% online verification.

3. Loan4smile: Loan For Smile is a trustworthy and secure way to get funds for unforeseen needs. No one can predict an emergency and provide a leverage of applying for loan from home or office, during day or night, on weekends as well as bank holidays. Loan4smile credit the loan amount in borrower's account within 15 minutes to an hour without any wait. The company has vast experience in the finance vertical and therefore fully understands the needs of its consumers. The loans are therefore designed keeping the consumer's interests in mind.

4. Quick Credit: An online lending Fintech platform in India that provides borrowers instant, flexible, short-term cash loans without needing any hectic paperwork and security.

Legal Status for Payday Lending

Almost in every person's life there comes a times when we may feel the immediate need of cash, such as during emergencies, urgent medical expenses, home repairs, delay in monthly salary, an important trip etc. The amount in question could be just few thousands, but required within a short time- probably the same day? In such scenario payday loans come to the rescue.

Payday loans or small cash loans is a unique financial product available. It can be accessed by salaried individuals who draw a regular income. The loan is taken for a short duration only which provides relief in a speedy manner from the debt without adding any further financial burden, as the interest rates are affordable and EMI schedule is flexible.

Eligible individuals can simply put out details about the amount needed on the website of such loan providers.

On approval of loan application, the amount is disbursed within 24

hours, sometimes as less as 2 to 3 hours.

One can apply for a loan between Rs. 10,000 to Rs. 50,000 and repay comfortably within 90 days or less.

The process of loan from application to disbursal is through online mode. No registration fees.

The website also offers the applicants to use free financial tools like loan EMI calculator and loan eligibility calculator manage their loan portfolio and track loan application within a click.

PAYDAY Loans "Need of the hour"

Payday loans have been in the reports a lot recently and are gaining importance. But all type of financial products carries some risks and has their pros and cons. A typical payday loan is exactly that one borrows money against his/her next paycheck. However, borrowing against the paycheck often imposes several restrictions on the borrower:

1. One can't borrow more than their earning in a pay period.
2. One needs to be able to repay the loan quickly.
3. One needs to have enough free cash flow to continue to

meet your other financial obligations.

If a person takes out a payday loan that is equivalent to his next paycheck, he won't have anything left to pay bills or make it to the next paycheck. That leaves him in a sequence where he is lining up his next loan as he pays off the first.

In spite of some limitations **“Payday loans is a need of the hour”**. Payday loans are small short-term unsecured loans that are supposed to be repaid on the person's next payday. Such loans are either given against a personal post-dated cheque that is cashed by a lender on a payday; or they are repaid by means of electronic money transfer from a borrower's bank account on due payday. The term of an average payday loan is 2-4 weeks.

Payday loans though comes at a higher rate of interest, but they are much less costly as compared to cheque bouncing charges which you might have to incur in case you are unable to honor cheques already issued. In situation like emergencies, payday loans are proved to be fastest, simplest and easiest way to obtain money instantly. Obtaining a payday loan is a hassle-free process. But you should carry out thorough research before opting for a payday loan.

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