# Personality Trait Model to Assess Creditworthiness

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Despite the fact that financial institutions evaluate the creditworthiness of loan applicants a significant number of them fail or fall behind on their promised payments. While in some cases, this could be due to unforeseen external circumstances, inherent internal characteristics of the applicant also contributes towards this delinquency. A non-performing loan (NPL) is an amount of borrowed money upon which the borrower has failed to meet the scheduled payment, generally 90 or more days. The NPLs of financial institutions over the last few years have been rising, despite even stringent requirements enforced by the regulatory authorities. This rising proportion of non-performing loans, if left unchecked could lead to a systematic failure of the banking system and could have a catastrophic impact on the economy. Therefore, there is a need for a model that could filter applicants who could potentially default. Lending takes place when trust is developed between lender and the borrower. Studies carried out previously have put forward various quantitative and qualitative models upon broad microeconomic and demographic factors to assess lender borrower trust. However, the impact of personality characteristics of the borrower has not been sufficiently exploited in this regard. Trust is a complicated behaviour which has been defined from different perspectives in numerous disciplines. Literature depicts that trustworthiness of the trustee is a key antecedent of trust. The study proposes an integrated model to assess the trustworthiness of the borrower based on their personality characteristics. The study modifies the HEXACO personality model by including guilt proneness as the seventh dimension to the model. A systematic set of hypotheses are formulated on the basis of the conceptual model and a framework is developed to analyse the impact of personality traits on trustworthiness. The developed model has been initially validated through expert opinion and is validated through an empirical study using a survey questionnaire intended to capture personality traits using modified HEXACO model and trustworthiness using David Maister's trust equation administered to a sample of loan eligible people. Furthermore, data obtained from financial institutes engaged in lending business will also be used in the validation process.

Keywords: "Non performing loans, Trust, Trustworthiness, HEXACO Model, Guilt proneness"
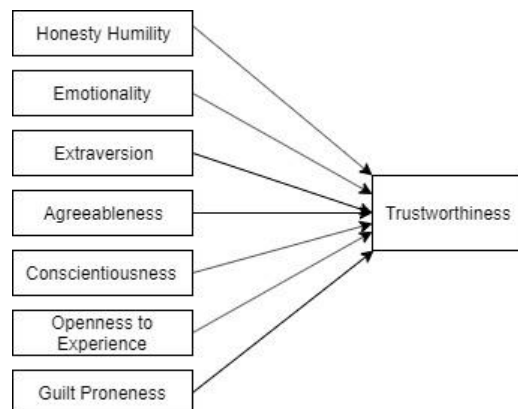
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