

# Technology for Credit Referencing and Scoring in Rural India

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# Outline

- What are the benefits
- Credit Referencing Requirements
- A Credit Reference Score
- An outcome of credit scoring in UK

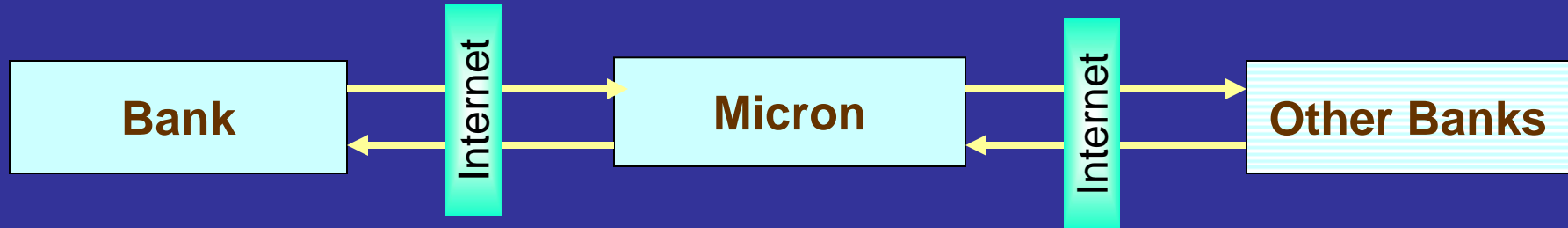
# Delivery in the Rural Context

- Requirements
  - Resilience
  - Reliability
  - Interference
- Delivery Enhancement
  - Data: Distributed Database Broadcasting
  - Assessment: Scoring of Behavioural Context

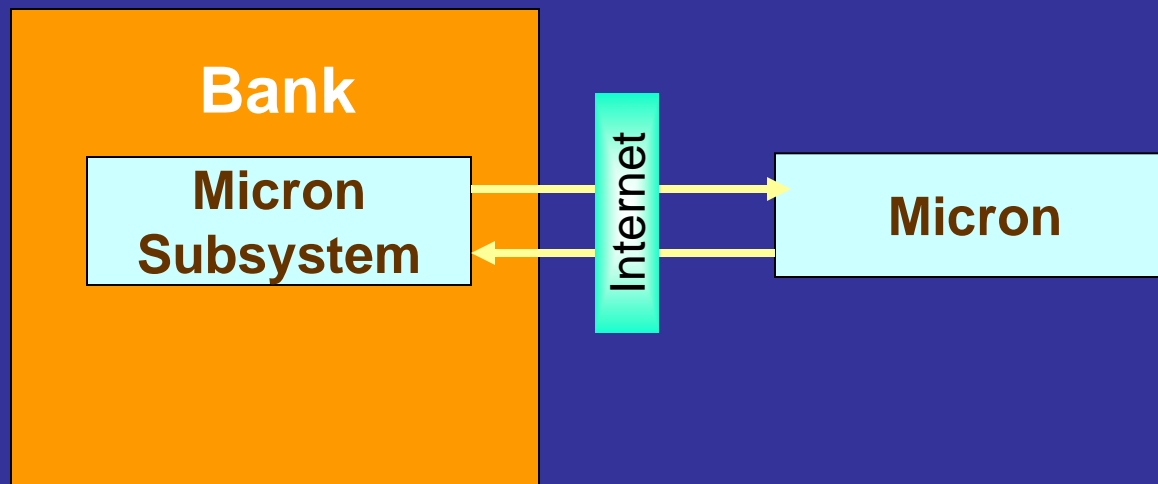
# Data Delivery

- Distributed Database Broadcasting

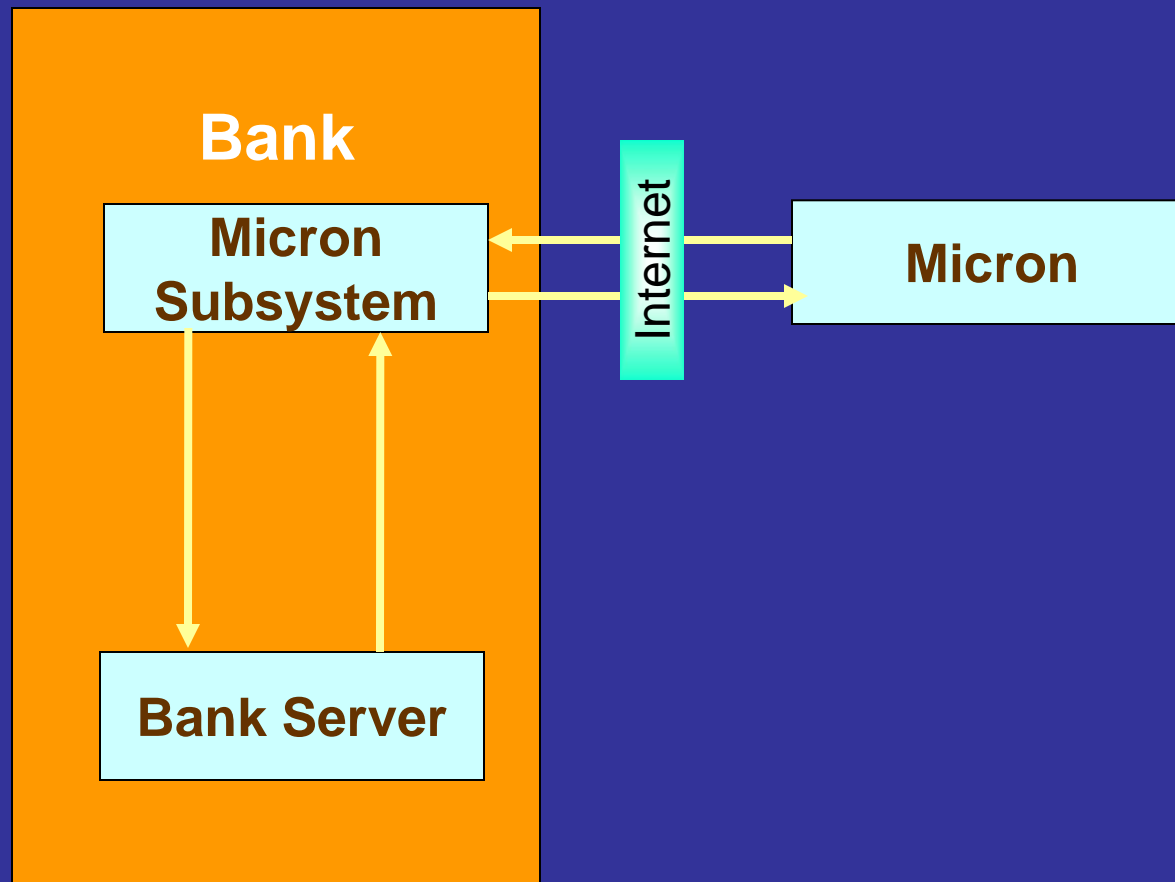
# How does it work ?



# How to place a request ?



# How does a bank respond ?



# Data Assessment & Scoring

- Individual Modelling
  - Profile Information
  - Previous Transactions
- Contextual Modelling
- Verification

# Scoring of Previous Transactional Behaviour

- Recency, Frequency and Value
  - None performing Debt
  - Successful completion
  - Current Commitments
  - Recent Requests

# Scoring the Behavioural Context

- The Environment of Behaviour
  - Location
    - Triangulation
  - Local Economic Shocks
    - Collective defaults and reciprocal performance
  - Medical & Familial Shocks
    - Insurance characteristics
  - Intermediaries
    - Collective performance

# Verifiability of application

- Confirm the authenticity
- Assess the trustworthiness
- Check verification
- Link to previous history

# Generating a Credit Score

- Use credit sensitive information
  - Length of residency – indicate growth and/or stability
  - Number of recent searches – indicate possible over stretch
  - Family type – additional commitments
  - House type and commitments – indicate affluence and reserve capital
  - Etc.
- Summarise this vast array of data
  - Into a single number between 0 and 1000
  - 0 very poor credit risk
    - Least likely to repay capital and interest
  - 1000 exceptionally good credit risk
    - Most likely to repay capital and interest

# Using a credit score

- Establish client specific decision boundaries for scores (e.g.)
- A Traffic light process
  - (GREEN)
    - < 800 immediately accept
  - (AMBER)
    - < 600 manual review
    - < 400 manual review to offer a higher interest product to mediate risk
  - (RED)
    - > 400 immediately decline

# Benefits of the Credit Score

- Rapid decision making
  - Improved customer service
- Objective decision making
  - Reduce reliance on human variability
- Customer specific products
  - Accommodate different circumstances profitably
- Focus detailed investigation where useful

# Benefits of Credit Referencing and Scoring

- Verifiable immediately
- **At least** 4 times more accurate than human judgement
- In UK market ~ 2% off interest rate
  - Through saved bad debts
  - Reduced cost of servicing
- Allowing –
  - Cheaper Loans to customers
  - Transparent competitive market
  - High levels of customer service

Thank you very much for your time and  
attention

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