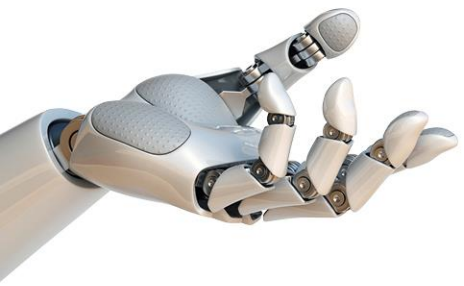




Alternative data as solution for Financial Inclusion

THE DATA PARTNER OF CHOICE

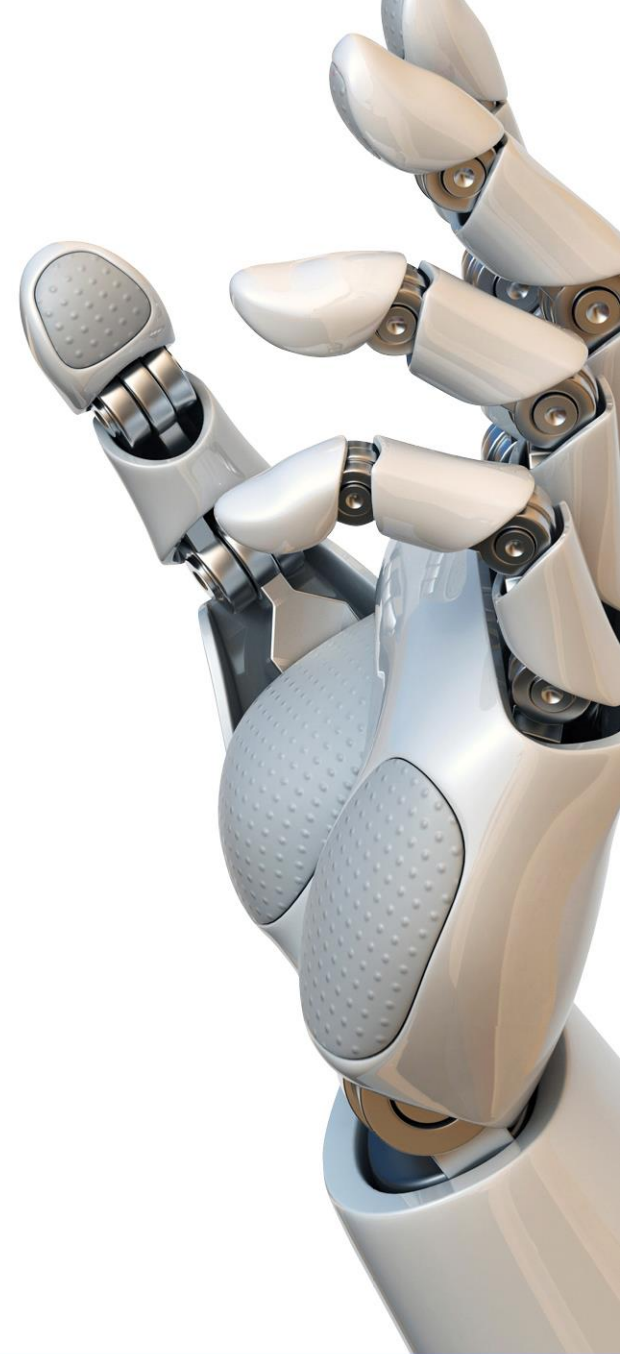
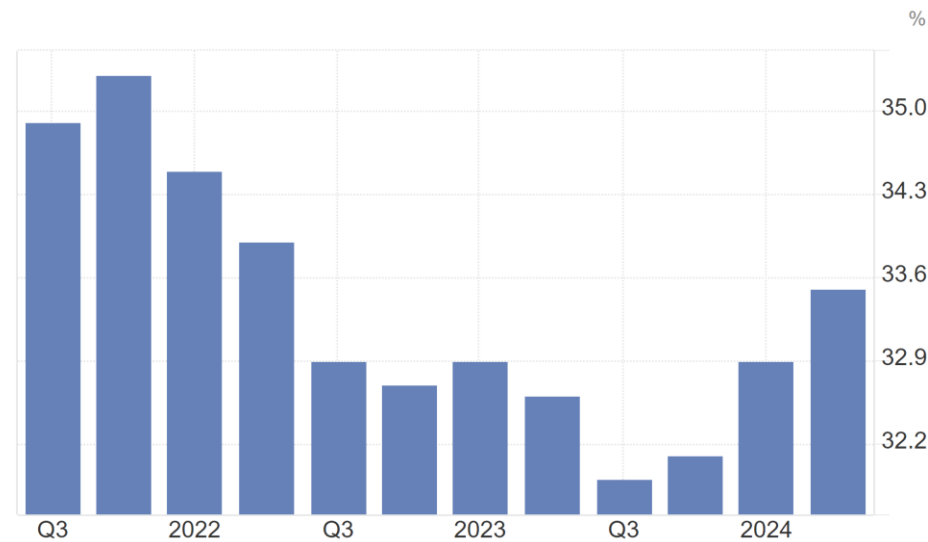


Changes in data: 2019 – 2024 Sample dataset

Income Brackets	Credit Score	Instalments	Total Accounts	Current Balances	Amount Overdue
> R2500	2%	-29%	9%	-33%	-53%
R2500 - R5000	-9%	27%	-2%	5%	26%
R5000 - R7500	-17%	16%	-3%	-24%	8%
R7500 - R10 000	-10%	14%	2%	-21%	146%
R10 000 - R15 000	-10%	16%	3%	36%	11%
R15 000 - R20 000	-21%	50%	-6%	-3%	110%
R20 000 - R30 000	-13%	54%	-5%	22%	197%
R30 000+	-10%	57%	-6%	24%	161%

What we see

- 36% of Credit Active consumers in current status
- 40% of consumer expenses in Credit Report
- 52% of Grant recipients has adverse credit records
- Unemployment rate increased to 34% (43%)
- Youth unemployment rate 61% (71%)
- SA unemployment rate highest in the world – 24m individuals





Scope – Financial Inclusion

- 91% of South Africans have access to formal financial products & services
- Estimated 3.6m still excluded
- Of the 91%
 - 81% has a bank account
 - 78% use other non-bank financial products & services



Considerations

- Consumer education should underpin all strategies
- Over-indebtedness / Reckless lending
- Reckless credit provisioning
- Entry-level bank accounts – used as monthly cash distribution service – cash-in/ cash out.
- 31% of banked population use account >3x pm
- Remittances – money transfers outside country
 - 48% via banks
 - 55% via retailers
 - 35% via informal channels
 - SA contributes > 51% of GDP of 16 SADC region
 - 2.9m migrant workers residing in SA



Barriers

- Inadequate use of bank accounts
- Underdeveloped payment options
- Low levels of formal / regulated remittances
- Low savings rate in traditional formal sector
- Low take-up of Insurance products (other than funeral, credit life and legal products)
- Over-indebtedness
- Inadequate leveraging of opportunities from Social grants
- Low levels of client onboarding – perceived onerous regulatory requirements



Financial Inclusion Definition

- Financial Inclusion - call for
 - availability of mutually, beneficial & sustainable products and services for target population
- For Financial Service Providers – stresses existence of an enabling environment for
 - Competition
 - Innovation
 - Product Development
 - Delivery
 - Greater diversity in tyPes of regulated financial service providers



Pathway to Financial Inclusion

- Basic transaction account
- Unsecured credit accounts
 - Funeral insurance
 - Credit cards/ overdrafts
 - Retail accounts
- Secured credit
 - Vehicles
 - Homeloans
- Asset / Medical Insurance, LT Savings/ Investments
- Other investment products / Unit trusts etc
- Other sophisticated products and services



Types of Credit Bureaus in SA

- Primary hosting bureau
 - Credit and Data providers
- Niche Credit Bureaus
 - Holds specific types of data
 - Municipal data – CrossCheck
 - Medical Credit Data – MCW
 - Tenant rental Data – TPN
 - School fees - TPN
 - Legal entities Data – Inoxico
 - Qualifications Data – MIE
- Reseller Credit Bureaus.

Total of 54 and growing....



Alternative Data

Data from non-traditional goods and services providers

- How they use their cellphone
- What and when they purchase - loyalty cards
- How they pay their non credit bills
- Where people stay
- Employment info
- Pre-paid cellphone info
- Online shopping spending patterns
- Medical accounts / payments
- Utility payments
- School / Educational fees
- Driving behaviour
- Social media & Online behavior
- Health information

All these information can be utilized to profile an individual to supplement/ verify traditional credit scoring but also provide scoring where they do not have a credit score.

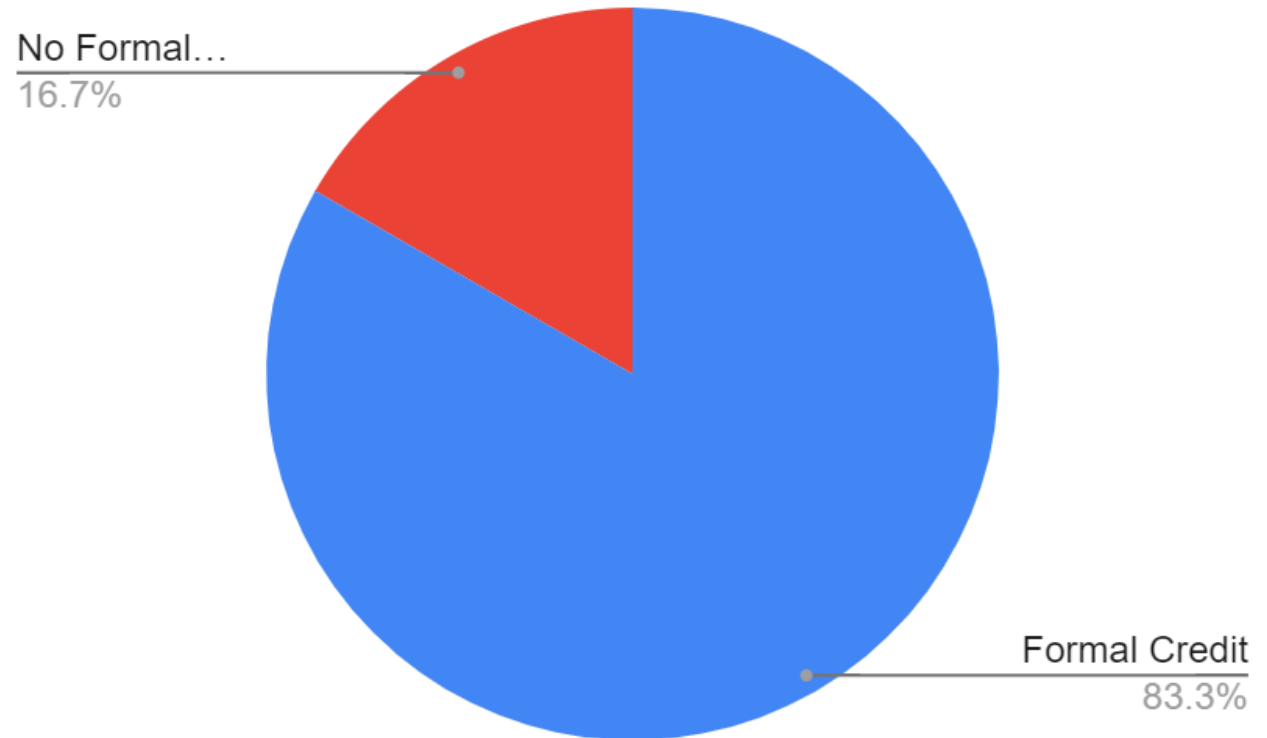


Insights from Alternative Data



Alternative Data: Company Owners and Directors

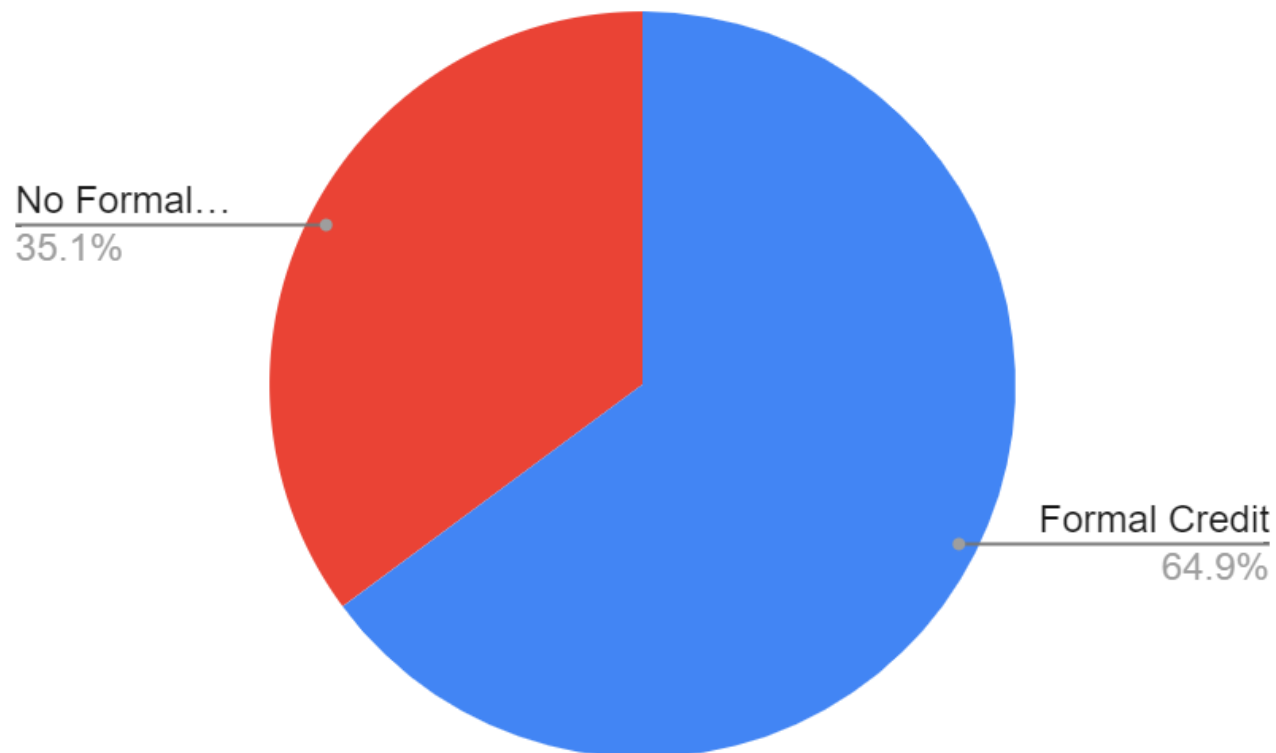
- Business owners/ Directors – without formal credit records can indicate behavior that could be considered for profiling
- Challenge with cash transactions could skew this





Alternative Data: Utility payments

- CrossCheck holds data on millions of utility accounts (water, electricity, rates and property taxes)
- When used to augment traditional formal credit data, we were able to derive considerable value



INTRODUCING CPB BASKETSCORE:

Credit Risk Scoring using
Alternative Data



Solving for Financial Inclusion



Traditional credit bureau data:

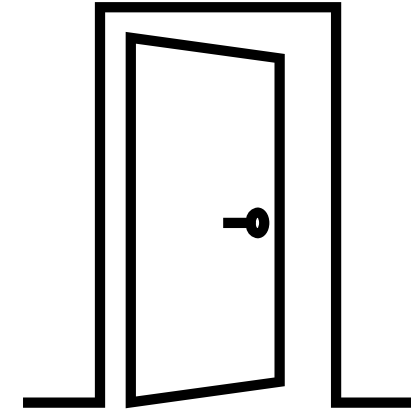
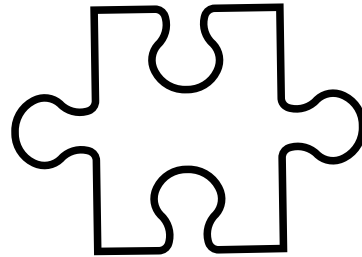
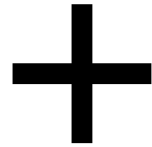
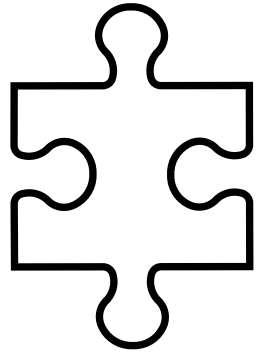
- Does not provide any insights on customers with no formal credit products
- Can be a blocker for underserved individuals



Alternative data sources:

- Offers unique insights beyond traditional credit history
- Is inclusive for underserved communities

Data sources

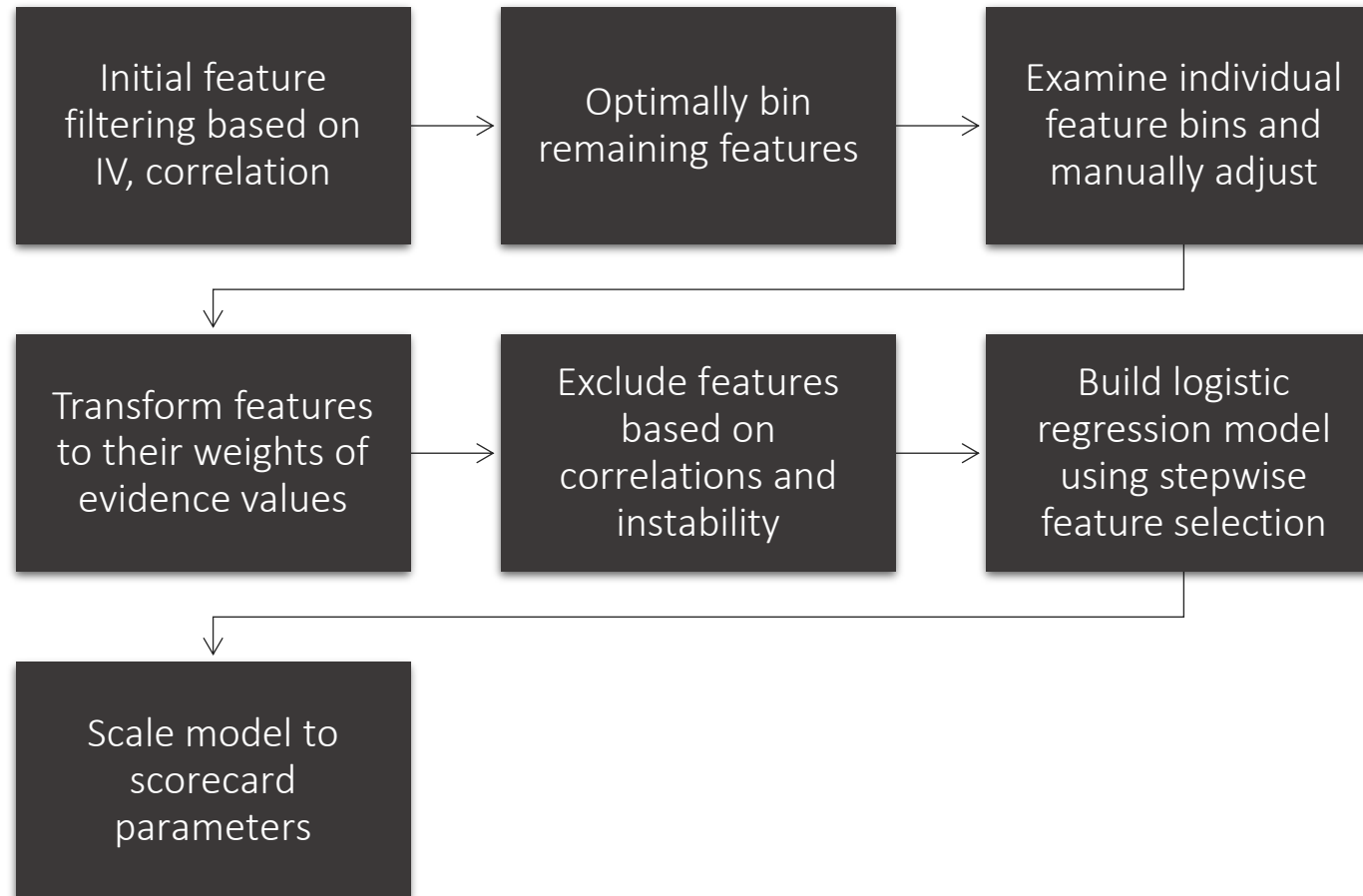


- **Model Input Features based on Retail Shopping and Customer Demographic Data**

Model Target based on Credit Bureau Payment Profiles for short-term Personal Loan Accounts

- **Generic Market-Level Credit Risk Score that facilitates Financial Inclusion and Fair Pricing**

Model Development Methodology



Scorecard Scaling

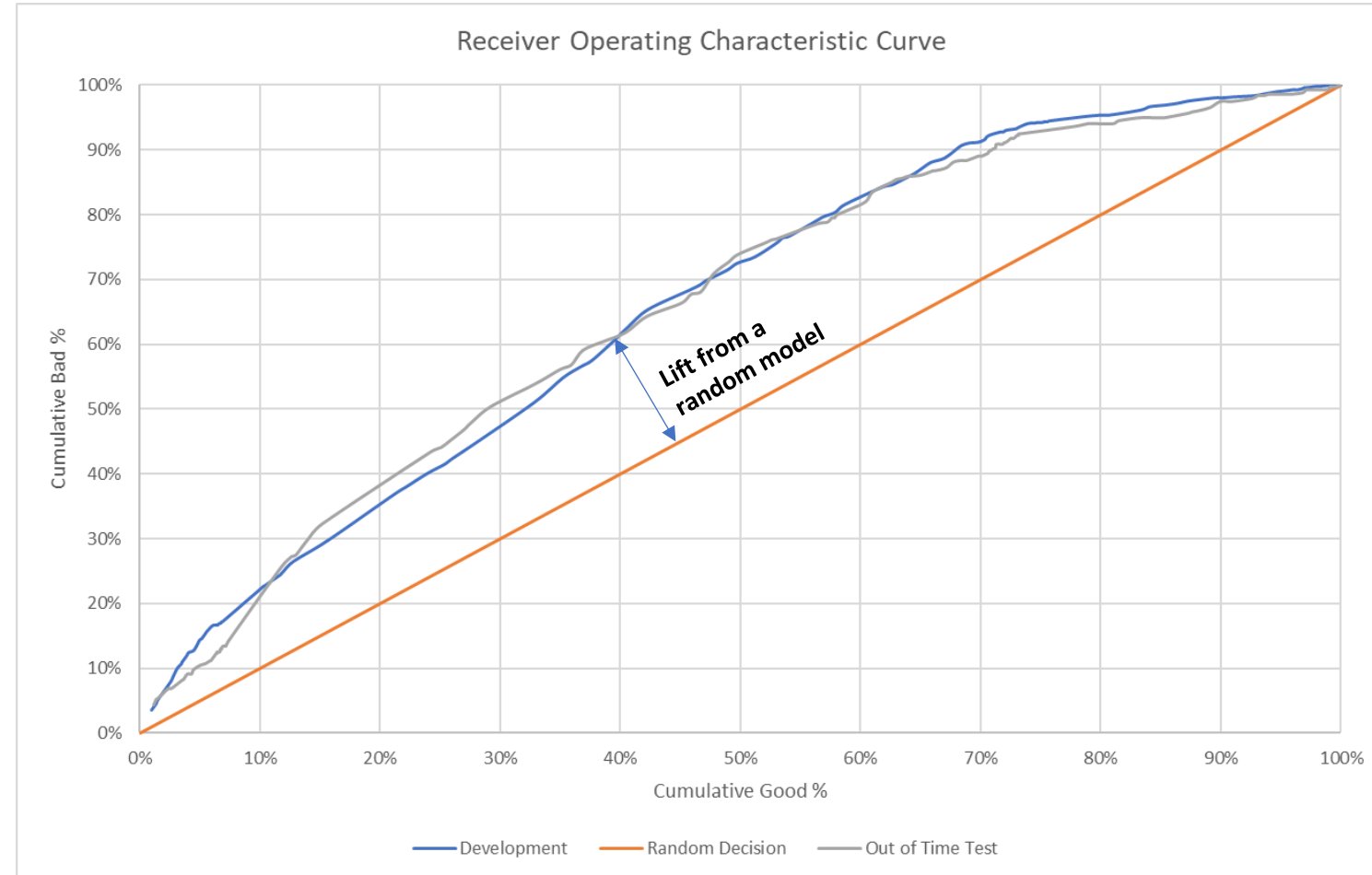
- **Base score = 660**
- **Base Good/Bad Odds = 30**
- **Points to Double the Odds = 40**
- **Rate = 2**
- **Score can range from to 399 to 615**



Production Model Characteristics

Includes:

- Features based on consumer behavior over the previous 5, 13 & 26 weeks
- Features based on the frequency, recency and monetary value
- Features based on the rate of change of behavior over time
- Customer Demographics

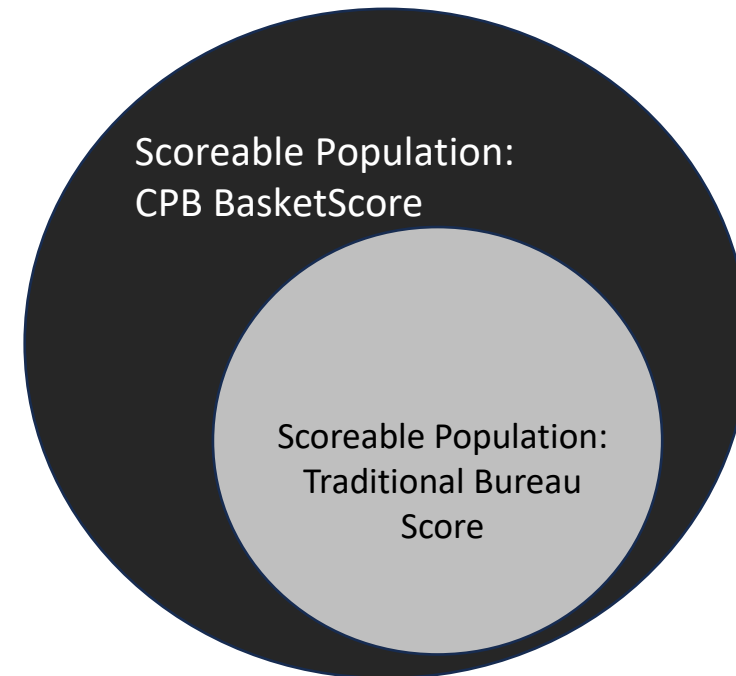


Training Gini	32.2%
Out of Time Gini	31.9%

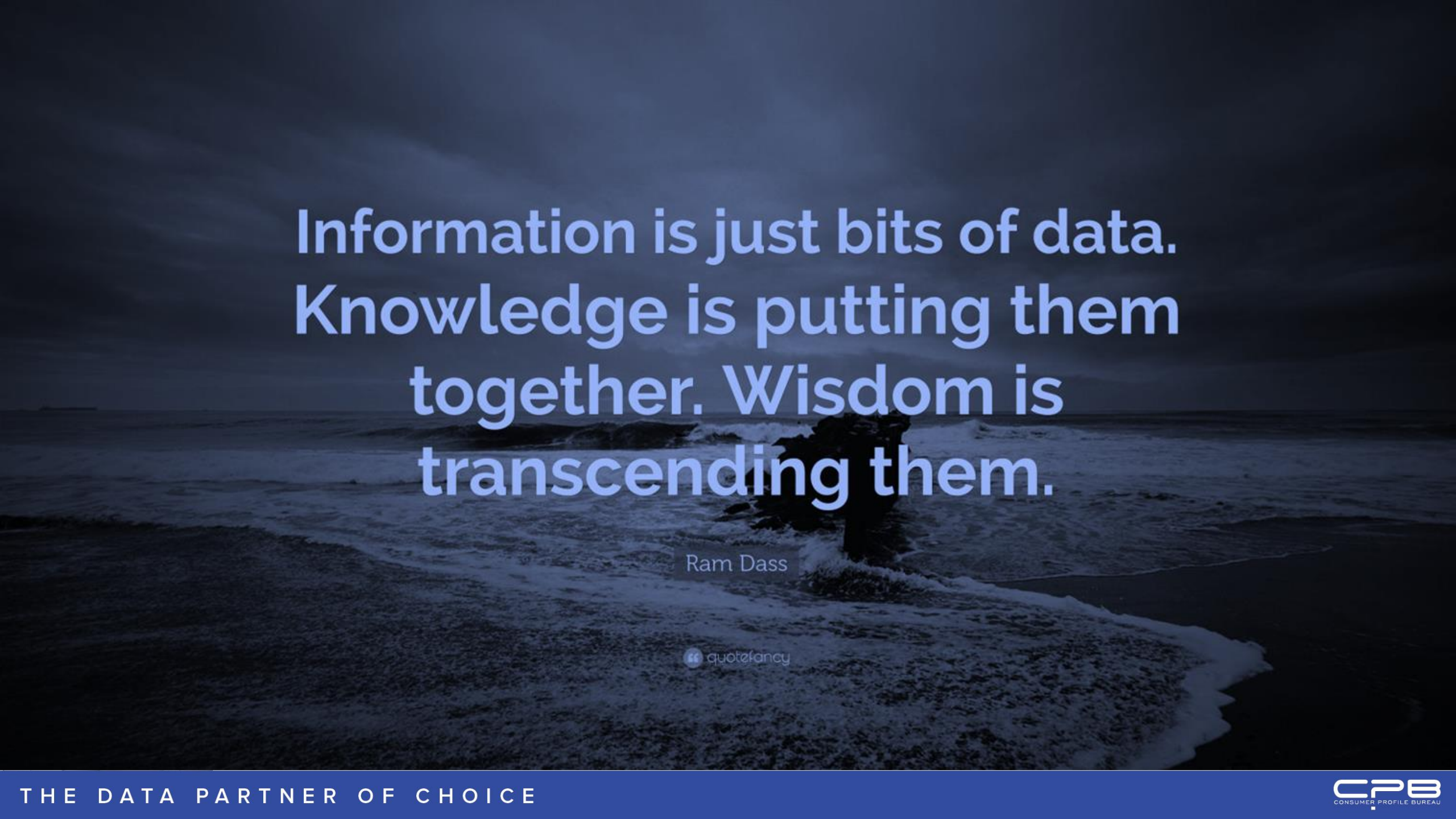
Model Use Case

Live Credit Decisioning

- Client receives a credit score at time of consumer loan application via API
- Can be used to approve a consumer for a product they would be declined for if decisioning is based only on credit bureau data
- Can be used to lower pricing on products for lower risk customers
- Score cut-offs can be aligned to a client's existing cut-offs based on PD



Scores are available for all adult South Africans with a valid ID number, DO NOT HAVE TO BE CREDIT ACTIVE



Information is just bits of data.
Knowledge is putting them
together. Wisdom is
transcending them.

Ram Dass

“ quote fancy

Questions

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