



# 25th MFC Annual Conference Thriving Together

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# Utilising Credit Analytics for Better Credit Decisioning



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# TAKING CREDIT DECISIONING TO THE NEXT LEVEL





# Reduce Operation Cost



- Manual underwriting processes bear high operational costs with small ticket loans
- Automating your credit decisioning process can dramatically reduce operational costs.



# Reduce Credit Loss



- Microfinance often represents a high level of credit risk, which can translate into high default rates.
- Credit analytics and machine learning algorithms, can help optimise your credit decisions and reduce your credit losses.



# Enhance Customer Experience



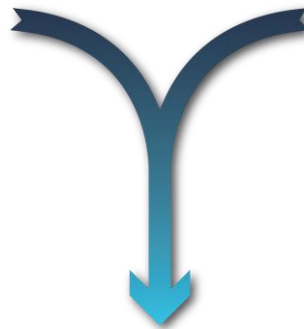
- Microfinance borrowers often have limited financial literacy
- Personalising the repayment terms to match borrower's profile can significantly enhance the customer experience.



# PERSONALIZE YOUR CREDIT OFFER

YOUR  
**BESPOKE SCORING**  
Risk Assessment

YOUR  
**LENDING POLICY**  
Risk Appetite



**CREDIT OFFER**  
Risk based pricing  
Personalized Terms



# LEVERAGING MULTIPLE DATA SOURCES



## Internal systems

CRM  
Credit History  
Transactions



## 3rd Parties

Credit Bureau  
Mobile Wallets



## Data Partners

Employers  
Agri services



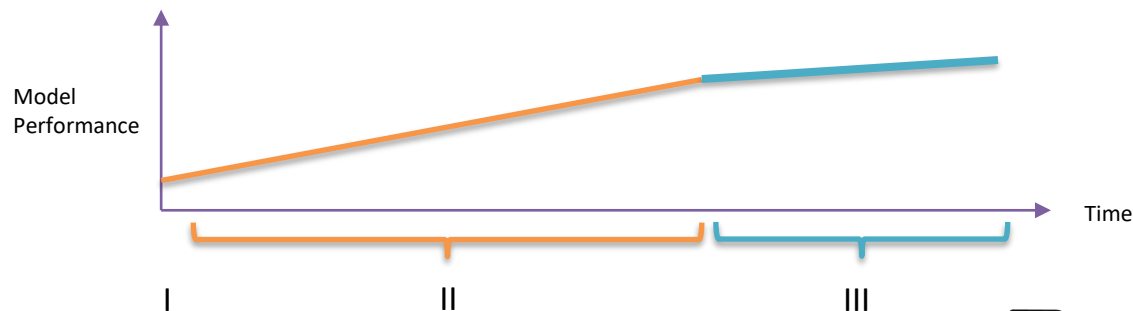
**Different data sources for each credit product**





# Overcoming Limited Data Challenges

Methodologies	Expert's Model	Hybrid Model	Statistical Model
<i>Data quality and quantity</i>	<i>Not required</i>	<i>Partial data</i>	<i>High</i>
<i>Basis for Modeling</i>	<i>Expert's opinion</i>	<i>Internal and external data + Expert's opinion</i>	<i>Internal and external data</i>



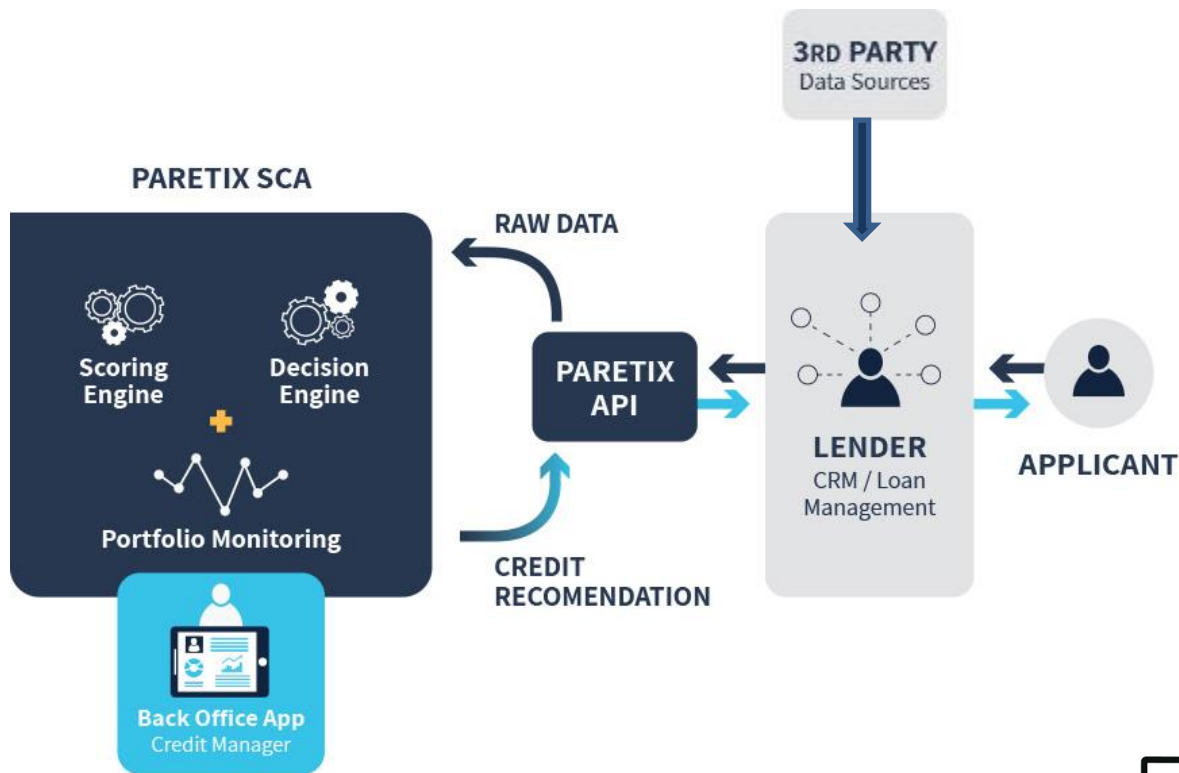
# Bespoke models

- Different lenders focus on
  - Different credit segments
  - Different credit products
- The Lending process and data collected by each lender can differ

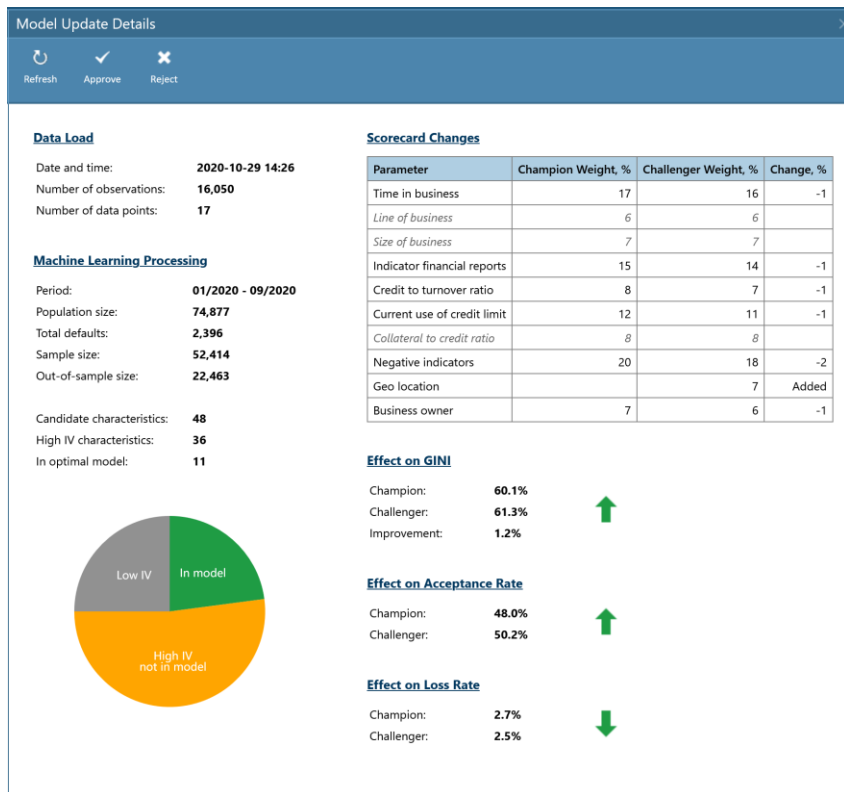
Bespoke models leverage the lender's domain expertise and uniqueness

Class	Characteristic	Weight
Mobile Money	# Transactions last 6 months	9%
	# Bill payments last 6 Months	12%
	Avg deposit inflow last 6 months	12%
	Number of sources for deposits	9%
	Number of MM service utilized so far	7%
Mobile money KYC	Time at Mobile money	6%
	Customer Satisfaction	6%
KYC	Gender	5%
	Age	3%
	Marital Status	6%
	Account opening date	4%
Bank account transaction	Avg account balance last 6 months	12%
	Avg percentage withdrawal last 6 months	9%

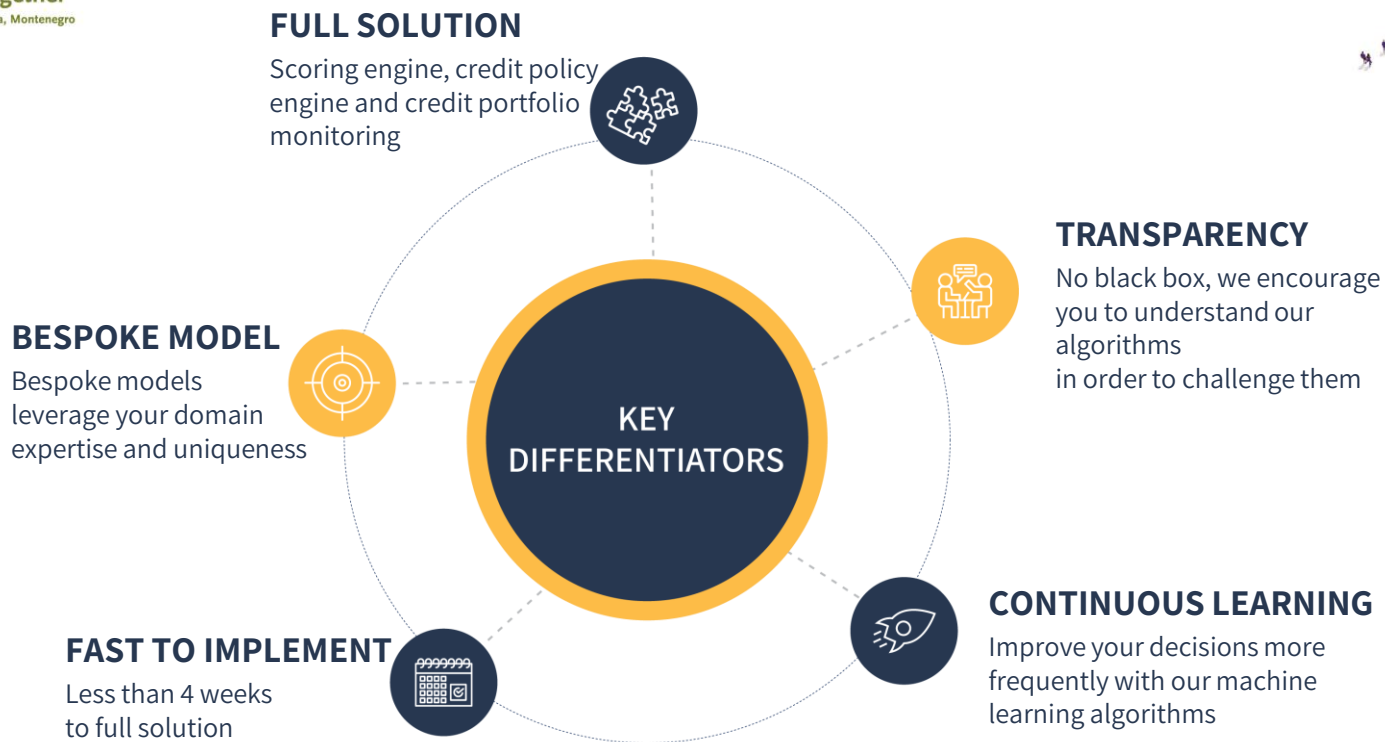
# SMART CREDIT ANALYTICS PLATFORM



# Paretix scoring optimizer



- Evaluation of new data points
  - New data is tested regarding its performance
- Periodical improvements
  - Score card characteristics points are optimized using updated data
- Challenger models simulation
  - How implementing an updated socre card will improve acceptance rates, predictions and loss rates?





# Thank you

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