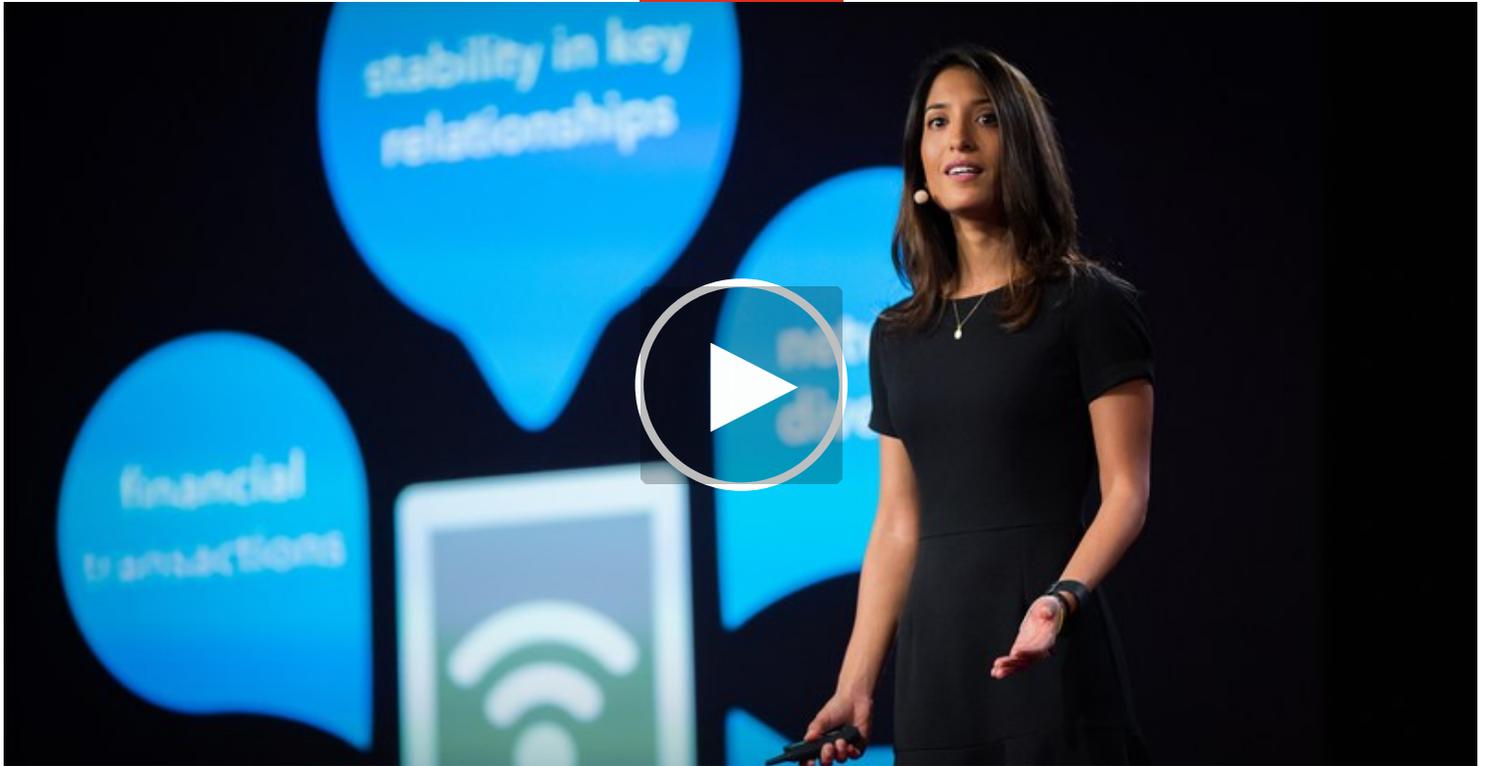TED

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Shivani Siroya:

A smart loan for people with no credit history (yet)

TED2016 · 8:11 · **Filmed** Feb 2016

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0:11

How much do you need to know about a person before you'd feel comfortable making a loan?

0:17

Suppose you wanted to lend 1,000 dollars to the person sitting two rows behind you. What would you need to know about that person before you'd feel comfortable?

0:26

My mom came to the US from India in her late thirties. She's a doctor in Brooklyn, and she often lets friends and neighbors come to see her for health services, whether they can pay right away or not. I remember running into her patients with her at the grocery store or on the sidewalk, and sometimes they would come and pay her right on the spot for previous appointments. She would thank them, and ask them about their families and their health. She gave them credit because she trusted them.

0:56

Most of us are like my mom. We would give credit to someone we know or that we live next to. But most of us are probably not going to lend to a stranger unless we know a little something about them.

1:10

Banks, credit card companies and other financial institutions don't know us on a personal level, but they do have a way of trusting us, and that's through our credit scores. Our credit scores have been created through an aggregation and analysis of our public consumer credit data. And because of them, we have pretty much easy access to all of the goods and services that we need, from getting electricity to buying a home, or taking a risk and starting a business.

1:40

But ... there are 2.5 billion people around the world that don't have a credit score. That's a third of the world's population. They don't have a score because there are no formal public records on them -- no bank accounts, no credit histories and no social security numbers. And because they don't have a score, they don't have access to the credit or financial products that can improve their lives. They are not trusted.

2:13

So we wanted to find a way to build trust and to open up financial access for these 2.5 billion. So we created a mobile application that builds credit scores for them using mobile data. There are currently over one billion smartphones in emerging markets. And people are using them the same way that we do. They're texting their friends, they're looking up directions, they're browsing the Internet and they're even making financial transactions.

2:44

Over time, this data is getting captured on our phones, and it provides a really rich picture of a person's life. Our customers give us access to this data and we capture it through our mobile application. It helps us understand the creditworthiness of people like Jenipher, a small-business owner in Nairobi, Kenya.

Jenipher is 65 years old, and for decades has been running a food stall in the central business district. She has three sons who she put through vocational school, and she's also the leader of her local chama, or savings group.

3:20

Jenipher's food stall does well. She makes just enough every day to cover her expenses. But she's not financially secure. Any emergency could force her into debt. And she has no discretionary income to improve her family's way of living, for emergencies, or for investing into growing her business. If Jenipher wants credit, her options are limited. She could get a microloan, but she'd have to form a group that could help vouch for her credibility. And even then, the loan sizes would be way too small to really have an impact on her business, averaging around 150 dollars. Loan sharks are always an option, but with interest rates that are well above 300 percent, they're financially risky. And because Jenipher doesn't have collateral or a credit history, she can't walk into a bank and ask for a business loan.

4:15

But one day, Jenipher's son convinced her to download our application and apply for a loan. Jenipher answered a few questions on her phone and she gave us access to a few key data points on her device.

4:29

And here's what we saw. So, bad news first. Jenipher had a low savings balance and no previous loan history. These are factors that would have thrown up a red flag to a traditional bank. But there were other points in her history that showed us a much richer picture of her potential. So for one, we saw that she made regular phone calls to her family in Uganda. Well, it turns out that the data shows a four percent increase in repayment among people who consistently communicate with a few close contacts. We could also see that though she traveled around a lot throughout the day, she actually had pretty regular travel patterns, and she was either at home or at her food stall. And the data shows a six percent increase in repayment among customers who are consistent with where they spend most of their time.

5:28

We could also see that she communicated a lot with many different people throughout the day and that she had a strong support network. Our data shows that people who communicate with more than 58 different contacts tend to be more likely to be good borrowers. In Jenipher's case, she communicated with 89 different individuals, which showed a nine percent increase in her repayment.

5:54

These are just some of the thousands of different data points that we look at to understand a person's creditworthiness. And after analyzing all of these different data points, we took the first risk and gave Jenipher a loan. This is data that would not be found on a paper trail or in any formal financial record. But it proves trust. By looking beyond income, we can see that people in emerging markets that may seem risky and unpredictable on the surface are actually willing and have the capacity to repay.

6:32

Our credit scores have helped us deliver over 200,000 loans in Kenya in just the past year. And our

repayment rates are above 90 percent -- which, by the way, is in line with traditional bank repayment rates.

6:48

With something as simple as a credit score, we're giving people the power to build their own futures. Our customers have used their loans for family expenses, emergencies, travel and for investing back into growing their businesses. They're now building better economies and communities where more people can succeed.

7:11

Over the past two years of using our product, Jenipher has increased her savings by 60 percent. She's also started two additional food stalls and is now making plans for her own restaurant. She's applying for a small-business loan from a commercial bank, because she now has the credit history to prove she deserves it.

7:33

I saw Jenipher in Nairobi just last week, and she told me how excited she was to get started. She said, "Only my son believed I could do this. I didn't think this was for me." She's lived her whole life believing that there was a part of the world that was closed off to her.

7:54

Our job now is to open the world to Jenipher and the billions like her that deserve to be trusted.

8:03

Thank you.

8:04

(Applause)

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