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Algorithm Based Decision Making

FINSCORE Predictive Lending Model

Good practices from Microfinance Association UK

EMN Webinar

27 October 2020

11:00 – 12:00 CET

with financial support from the European Union

What is FINSCORE?

It is a statistical methodology used for predicting future behaviour based on historical experience.

It is a numeric expression of a client's creditworthiness that is used by lenders to assess his or her probability to repay a loan.

It can help lenders to be more efficient and objective when making decisions on who to lend to and how much to give out.

Credit score – a number that represents an assessment of the creditworthiness of a person, or the likelihood that the person will repay a loan.

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What makes FINSCORE Unique?

FinScore developed by the Microfinance Association UK) combines both qualitative and quantitative data.

No need to make changes to existing lending software, FinScore is an add on

Customized for microfinance institutions target market segment to make algorithm-based decisions

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Rationale Behind FINSCORE

- Increase Financial Institution's Profitability
- Decrease loan defaults/overdues and reach out to more clients at a lower cost.
- Improve organization's efficiency and lowering operating expenses
- Provide loan officers with tools to make more efficient credit decisions and reduce losses
- Manage a larger and healthier credit portfolio with reduced arrears

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Benefits of FINSCORE for Clients

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Benefits of FINSCORE for FIs

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How FINSCORE Works?

- FinScore results in a score and links it to the different risk indicators.
- All lending processes, remain unchanged FinScore is an additional datapoint to be used in the evaluation of a loan.
- FinScore can be customised to FI's needs
- Over time, new data and recalibration will enable the algorithm to offer even more realistic indications of risk, resulting in better, faster, credit decisions.
- FinScore can be linked to any business loan product.
- The algorithm is hosted on a secure web application.
- It takes 2-5 minutes to fill in

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Process

Application available using laptop, tablet and smartphone

1. **Login to the app**: Each loan officer will have individual user login.
2. **Fill in first the quantitative and then the qualitative credit scoring form**: Just click on the category, it takes less than 5 minutes to fill.
3. **Results**: FinScore shows the result along with risk category of potential client
4. **Dashboard:** It gives each FI its own credit scoring dashboard.

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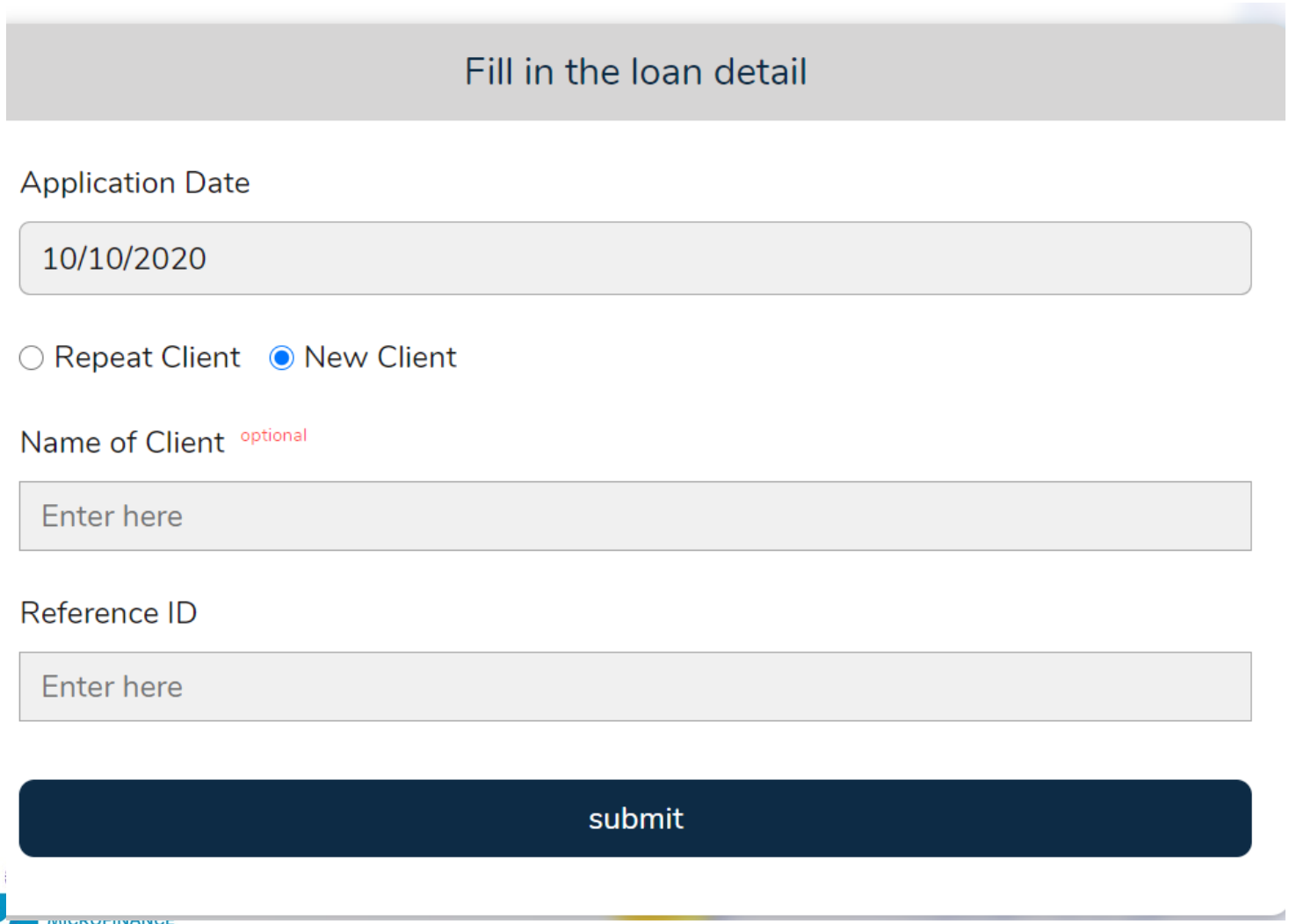
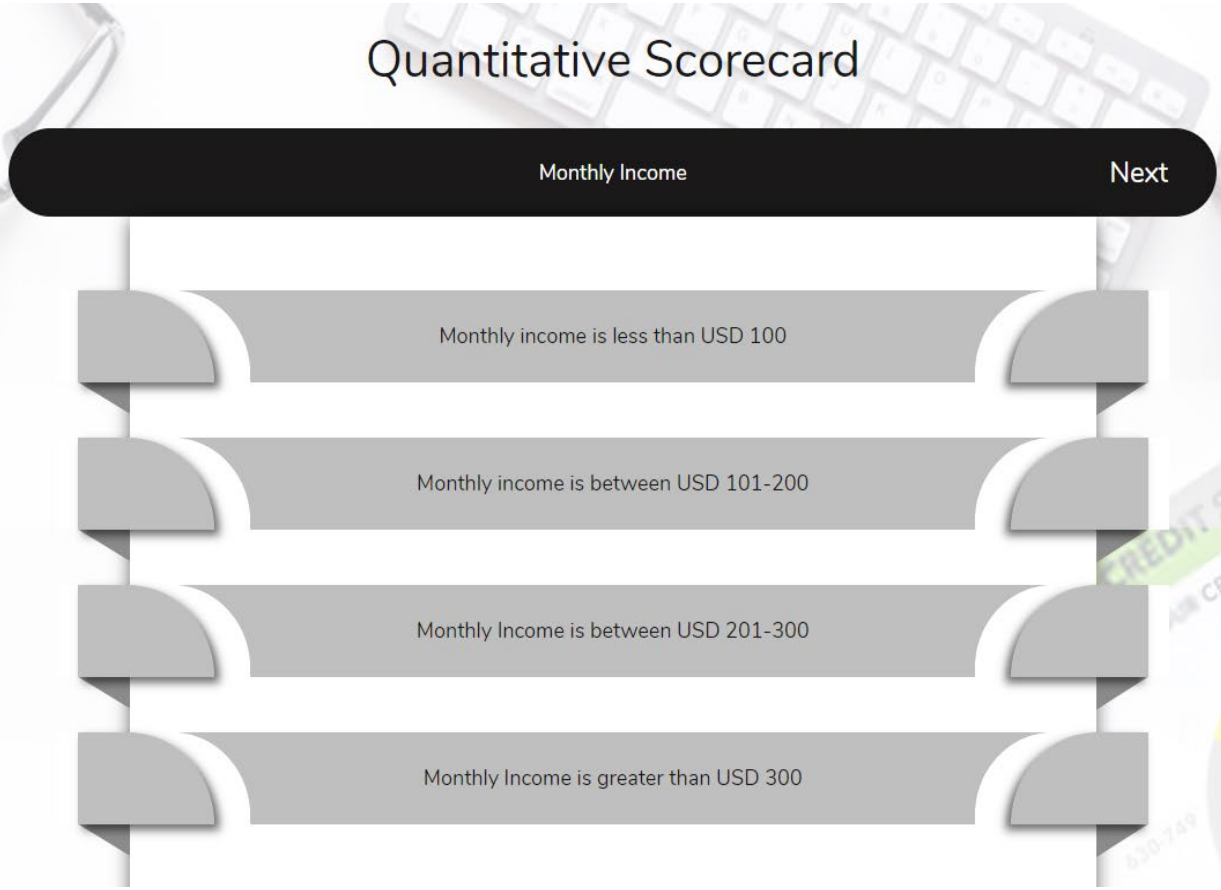
FINSCORE Demonstration



FINSCORE Demonstration –A Simple Click



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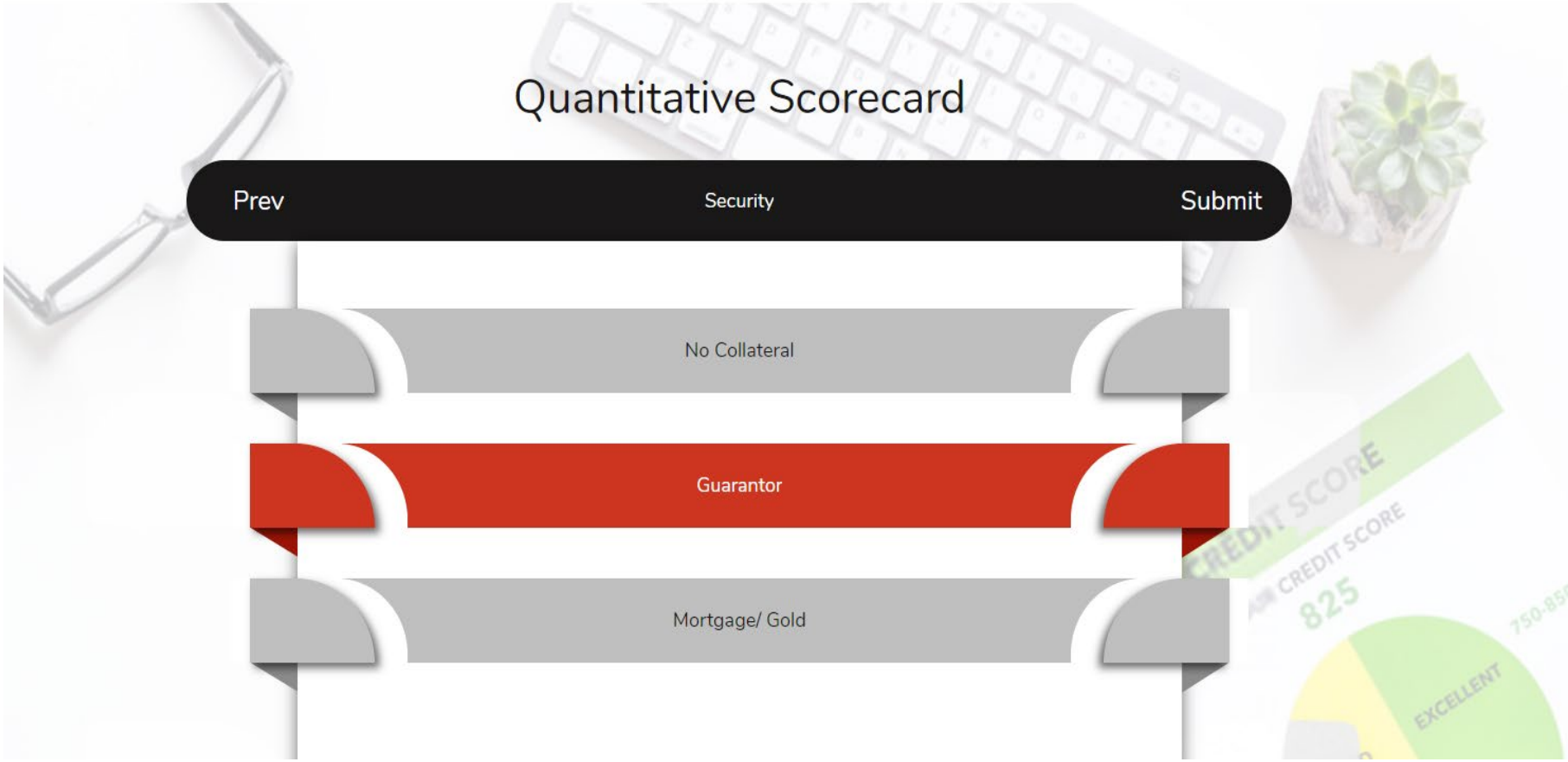
FINSCORE Demostration-Quantitative Scorecard



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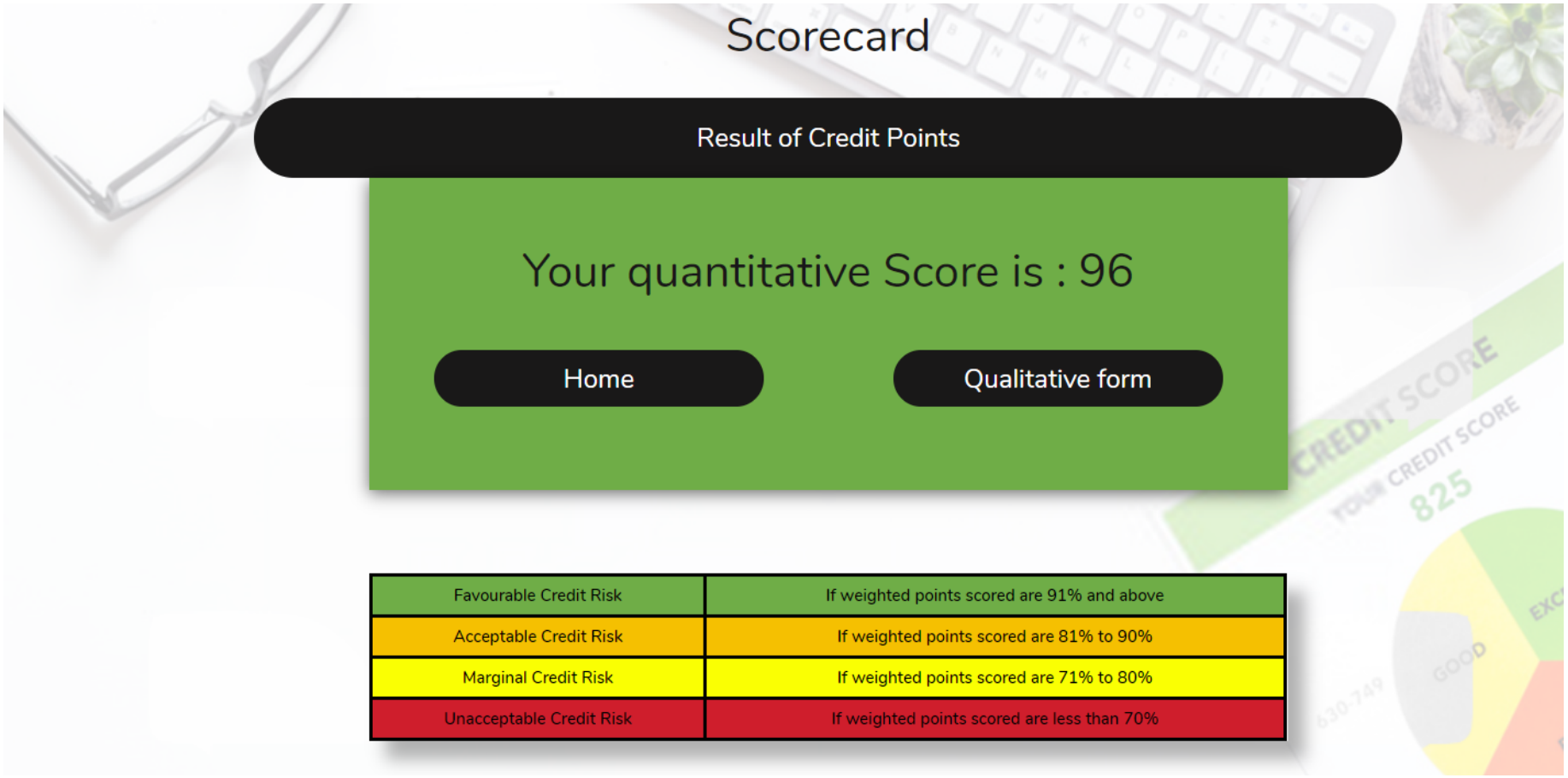
FINSCORE Demonstration-Quantitative Scorecard Results



Favourable Credit Risk	If weighted points scored are 91% and above
Acceptable Credit Risk	If weighted points scored are 81% to 90%
Marginal Credit Risk	If weighted points scored are 71% to 80%
Unacceptable Credit Risk	If weighted points scored are less than 70%

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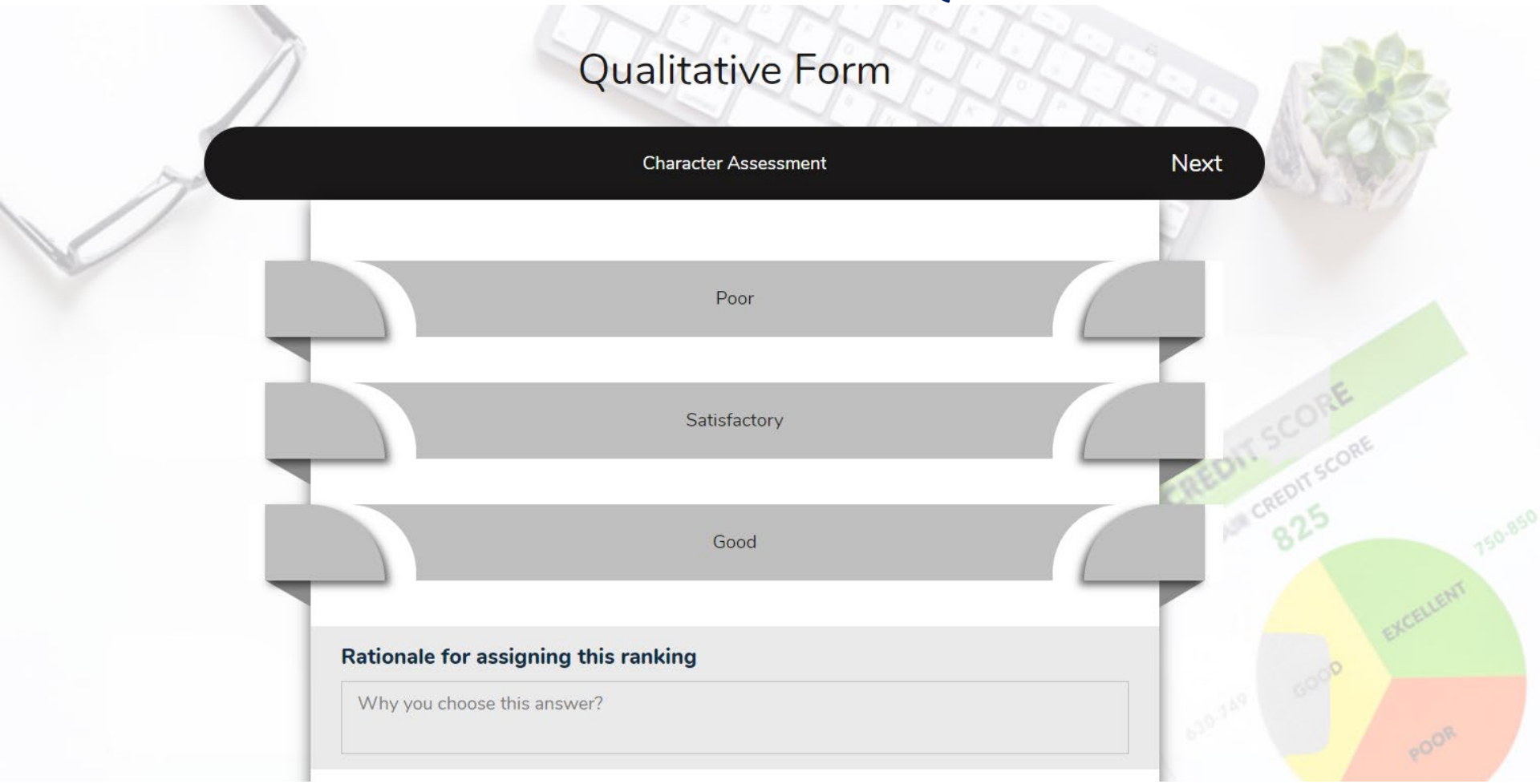
FINSCORE Demonstration-Fill In Qualitative Scorecard



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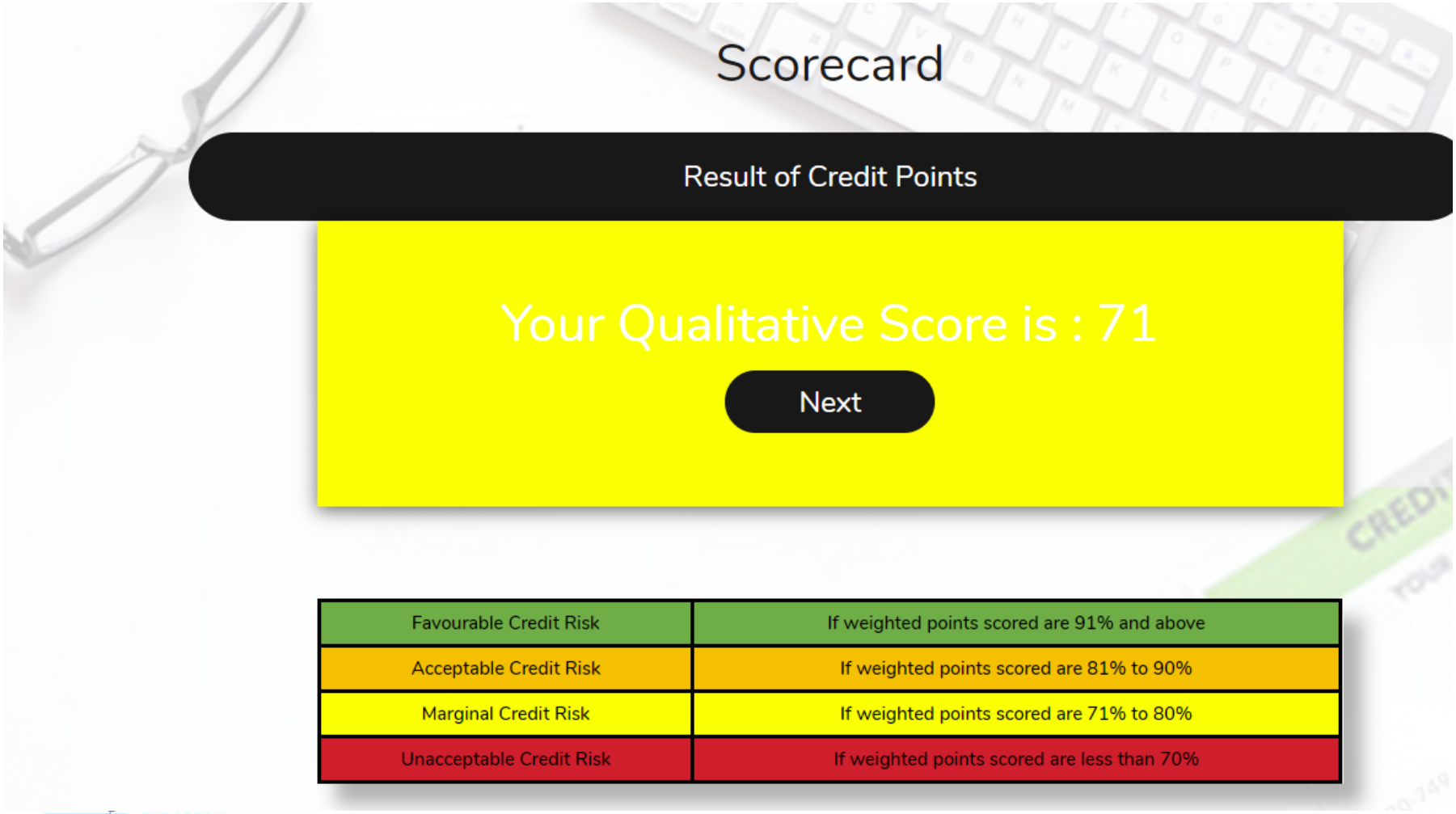
FINSCORE Demonstration-Qualitative Scorecard Results



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FINSCORE DEMONSTRATION –CUMULATIVE RESULTS

Result of Credit Points

cumulative credit score is : 88.33%

Home

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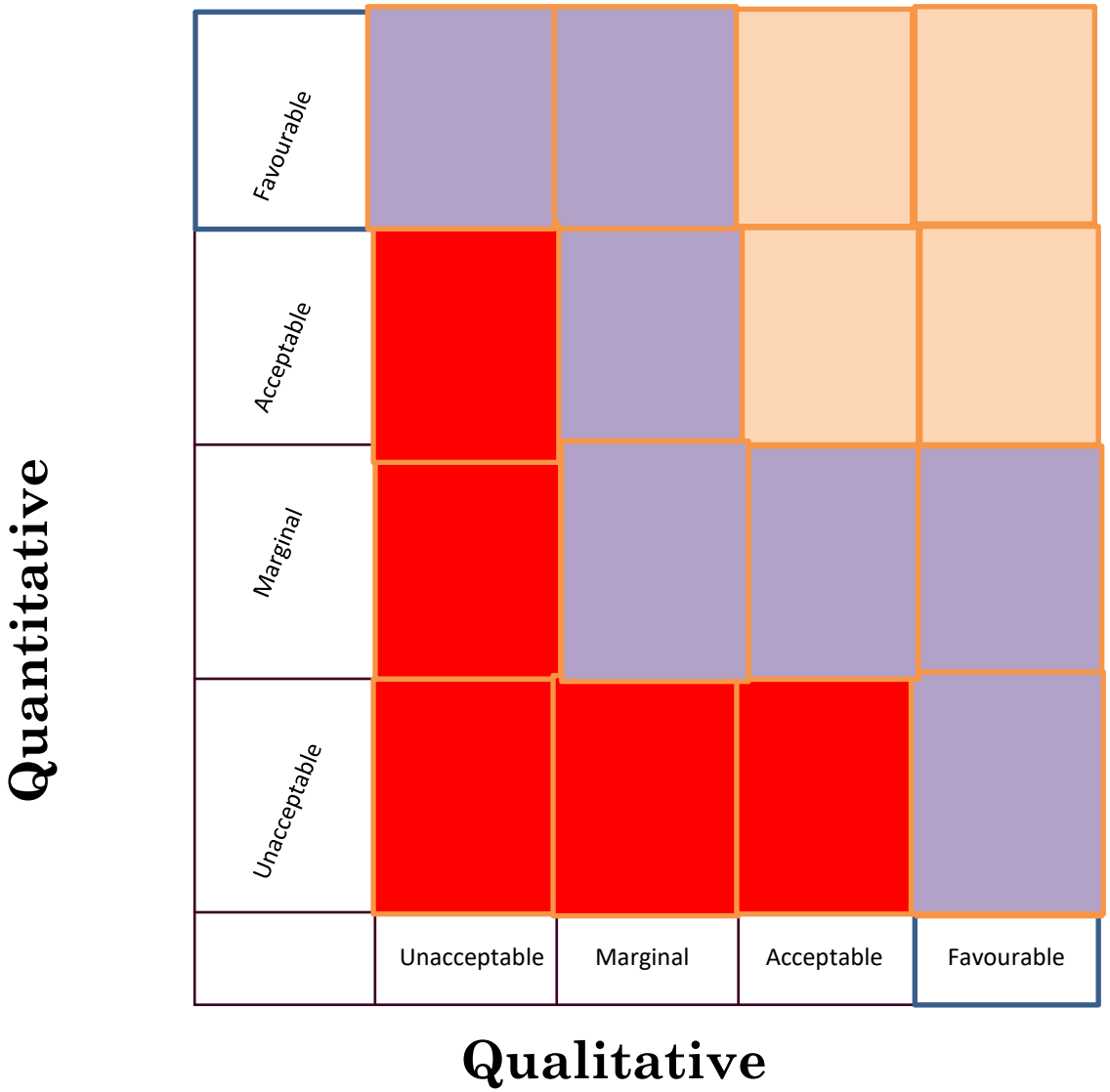
Qualitative Vs Quantitative Matrix



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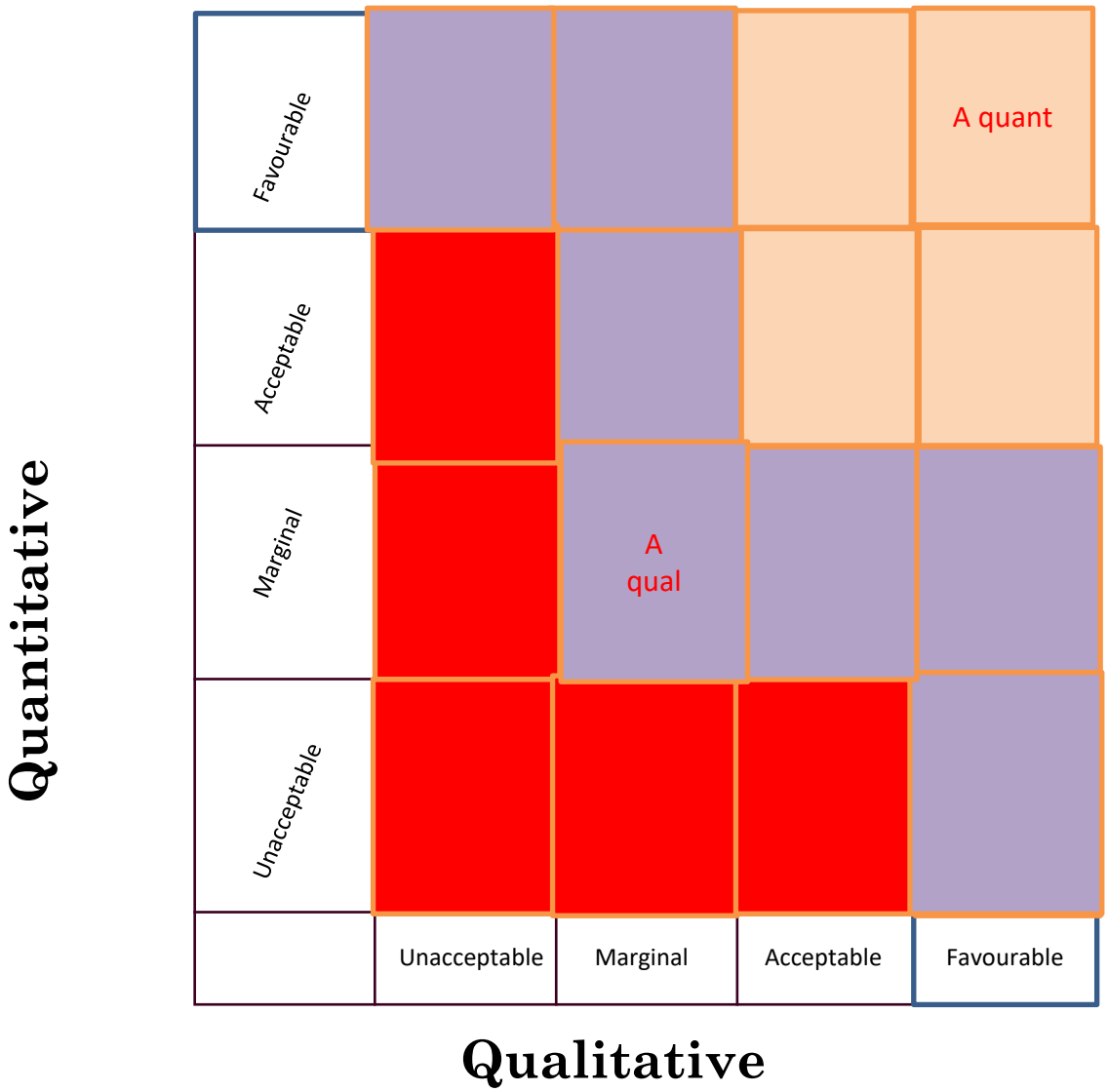
Qualitative Vs Quantitative Matrix-Example



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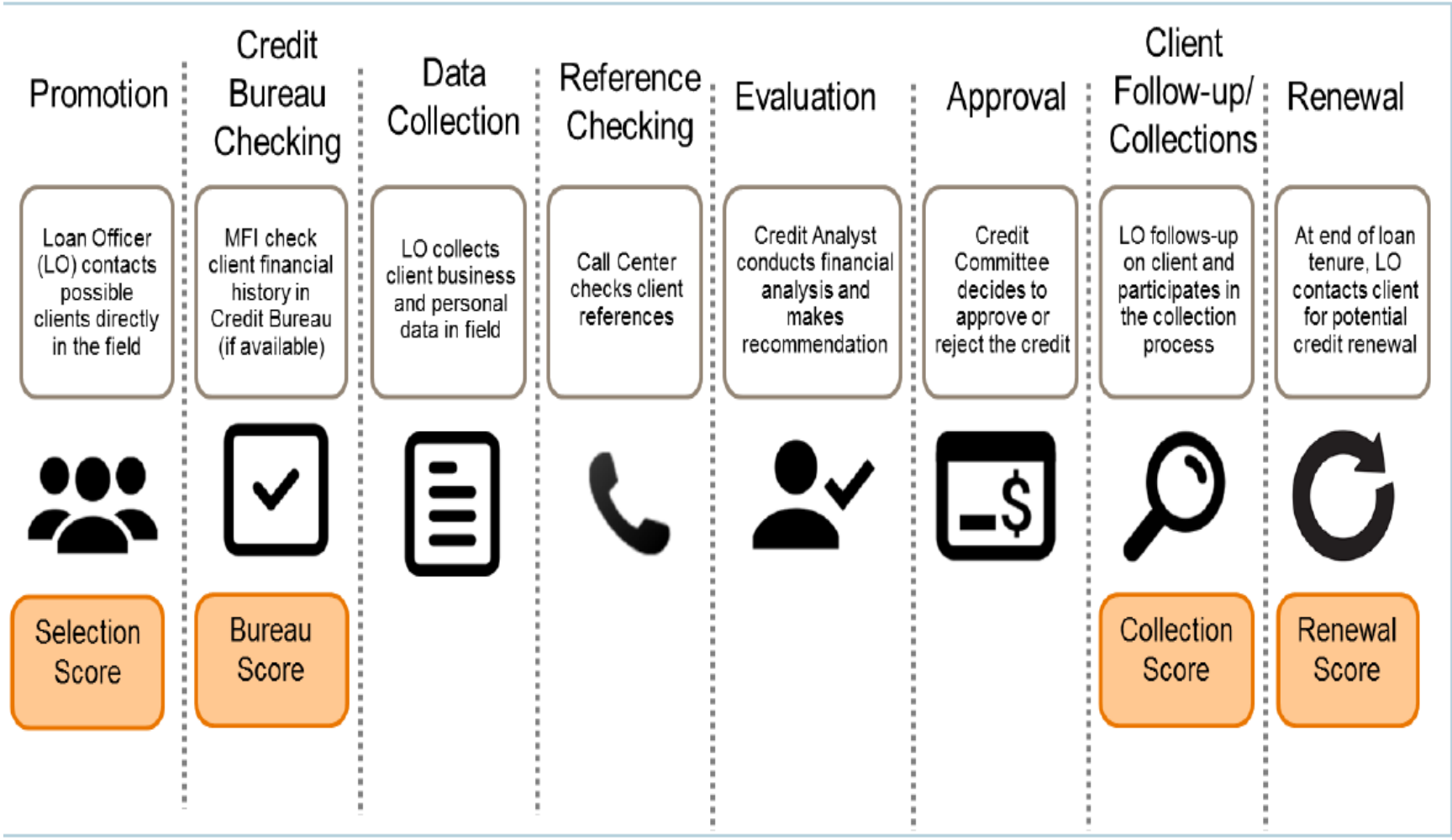
Applying Score in the Credit Process



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Sources of Input

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Cost of Deployment

It is subscription based.

Size and Turnover of the organization comes into consideration

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Thank you for your attention!

To know more, get connected:

https://www.european-microfinance.org/

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Author of "Microfinance, the Way Forward-Post COVID 19"

Thought Leadership Paper that talks about:

-The theory of "The Pendulum Shift"

-Current Challenges faced by MFIs Post COVID 19

-New Business Model Proposed for Microfinance

https://www.european-microfinance.org/publication/microfinance-way-forward-post-covid-19

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