

Alternate Data for SME Scorecards

Why Alternate Data?

- Expanding the borrower base, or fine-tuning risk measurement
- Credit risk versus fraud risk
- Under-writing versus monitoring
- Reducing the cost of underwriting
- Target Market context:
 - Developed versus emerging markets
 - Micro versus Small & Medium clients
 - Start-ups versus established SMEs

What exactly is Alternate data?

The 'not-alternate' data

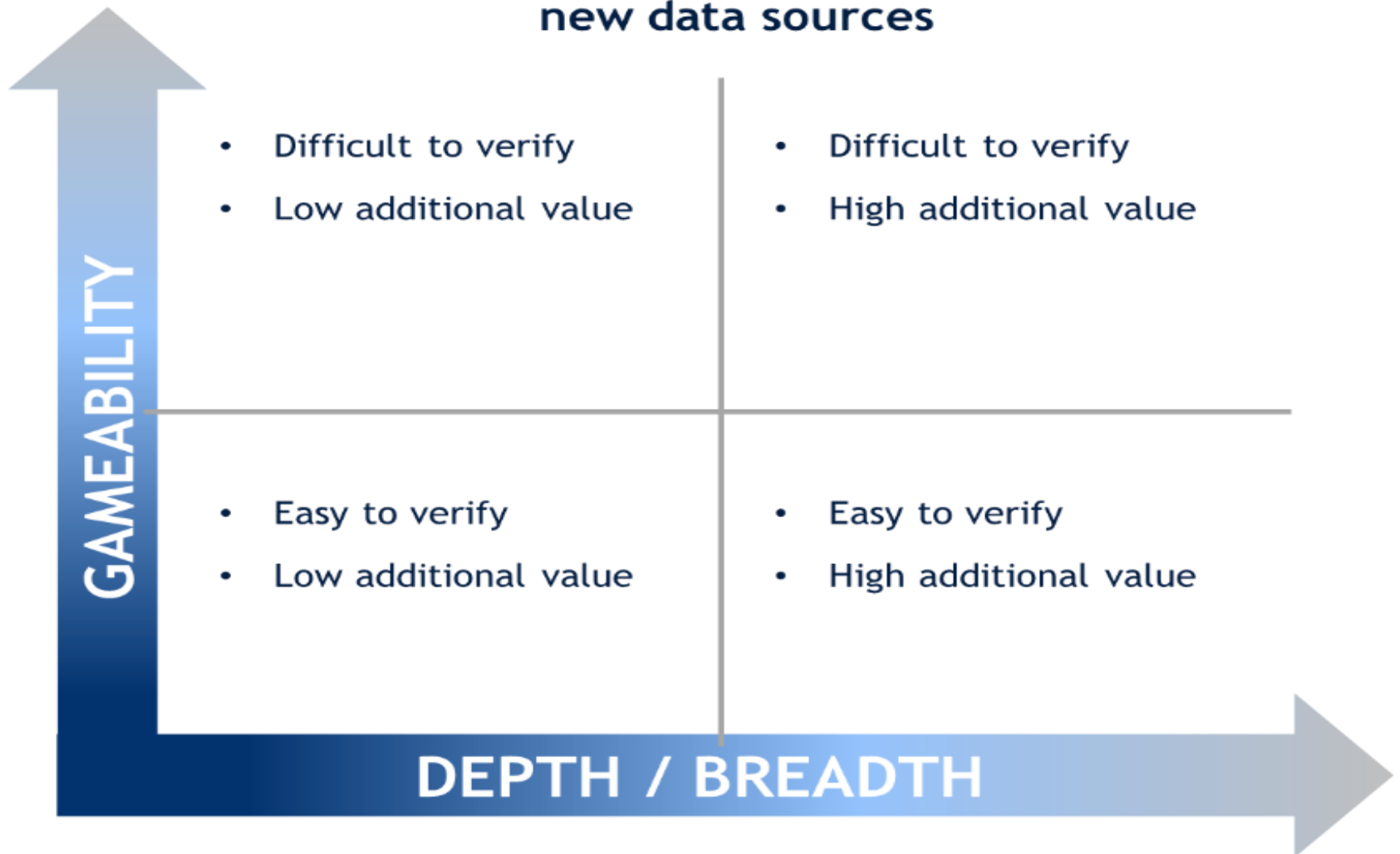
- Audited Profit & Loss and Balance Sheet statements
- Credit Bureaus
- Cashflow projections
- Company demographics and foundation documents
- Industry data and competition analysis
- Qualitative risks assessment
- Credit interview
- Site surveys, buyer-supplier references

Alternate Data

- Bank statements
- VAT/ GST statements
- Card acceptance data
- Mobile phone usage
- eCommerce, supply chain, Trade platforms data
- eWallet usage
- Social media presence
- Media presence
- Accounting systems
- Psychometrics
- Traffic, Weather, IOT data.....

The Inequality of Data

Characteristics of data: tradeoff of adding new data sources



The Inequality of Data

Data Source	Depth/ Breadth	Reliability	
Bank Statements	Medium	High	Depends on formalization of the economy. High cost, if not automated.
VAT/ GST Statements	Medium	High	Depends on regulatory environment
Card acceptance data	High for Retail	High	Depends on the industry type, and cards prevalence
eCommerce, supply chain, Trade platforms	Low	High	Growing in scale, difficult to apply for companies with large offline business.
eWallet usage	Low	High	Growing in scale in B2C space
Mobile phone usage	Low	Low	Applicability at micro end of spectrum
Accounting systems	High	Medium	Accessing the data is the key challenge.
Social / Other media presence	Medium in Emerging Markets	Medium	Patchy data availability
Psychometrics	N/A	Low	Useful as a supplement?
Traffic, Weather, IOT data	Low	Low	Useful as a supplement?

In conclusion.....

- All alternate data is not made equal
- It need not be just about credit risk underwriting
- Need the appetite to stay the course