

HOW MOBILE LENDING IS CHANGING THE FINANCIAL LANDSCAPE IN DEVELOPING COUNTRIES

Banking can be termed as the lifeline of an economy. In fact, banks as a functional unit tend to facilitate vital activities such as production, exchange, and distribution of wealth. This in turn makes them effective partners in the process of economic development and growth. However, what aids a bank to facilitate these activities - lending. Banking as a business thrives on lending and is one of the most important functions performed by them resulting in it being a major source of income.

The criterion of a borrower for a loan may differ in terms of advance, activities, financial health, repayment capacity, and risk. Therefore, a few important considerations such as safety, liquidity, purpose, risk-spread, profitability, and security are followed by the bank before taking a lending decision. The banks keep a detailed database of such clientele and approve the lending based on the credit score that is calculated with the data.

Yet, with over a third of the world's population having limited or no access to the traditional financial services, the sole reason being a formal credit profile, tapping this massive market was a distant dream. Not anymore. The last few years have seen a radical change in the way the underserved in the emerging markets have financial access in the most unconventional manner

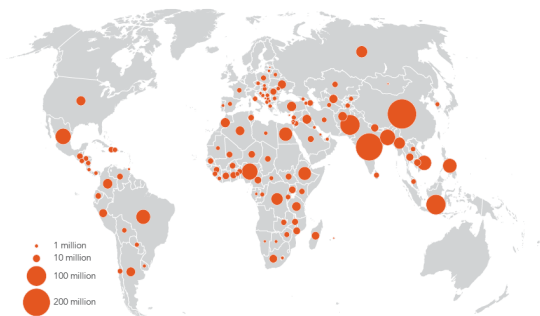
Technological innovation and the rise in the usage of mobile devices, especially smartphones, new era fintech companies such as Yabx aim at simplifying financial access to over two billion unbanked people in the emerging markets of Africa, Asia, and Latin America using the mobile phone.

The Game Changer: Financial Inclusion of the Invisible

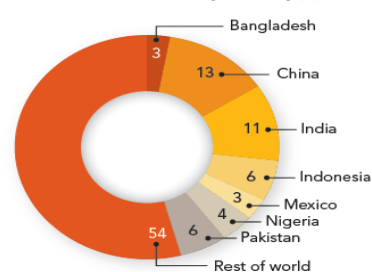
The financial inclusion needs to embrace two sets of customers who fall below the "lending-radar" of any financial institution:

- The underbanked – someone who has a bank account but cannot access full portfolio of the banking services
- The unbanked – someone who has no access to banking services

Globally, 1.7 billion adults lack an account
Adults without an account, 2017



Nearly half of all unbanked adults live in just seven economies
Adults without an account by economy (%), 2017



Source: Global Findex database.

The underbanked and the unbanked population in the developing countries of these regions are invisible. Reason - they do not have a formal credit profile. This humongous section of the society, be it an individual or a small entrepreneur, has never availed service from a traditional financial establishment or been approached for a loan of any kind. This demography of the society relies heavily on the cash

economy; thereby completely alienating themselves from all touchpoints of a traditional financial organization.

About 235 million unbanked adults receive agricultural payments in cash
Adults without an account receiving payments for agricultural products in the past year in cash only, 2017



Source: Global Findex database.
Note: Data are not displayed for economies where the share of adults without an account is 5 percent or less or the share receiving payments for agricultural products is 10 percent or less.

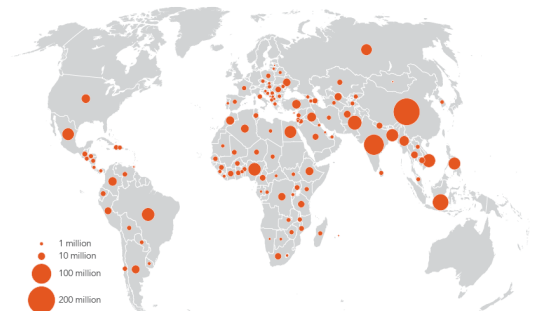
However, with the advancement in technology, a person's digital footprints in form of social media presence; utility bills payment data, and more are being used to create an Alternative Data which is being used for assessing the creditworthiness of the aforesaid population. The financial inclusion of this credit-invisible section of the society is perceived to have considerable socioeconomic potential, made possible through mobile lending services. This financial inclusion not only gives higher financial access, varied in nature, but also helps people build financial identities - for many it is a first-time experience.

Alternate Data – Enabling Financial Access

The popularity of mobile phones, especially the availability of reasonably priced smartphones coupled with faster and reliable networks has seen exceptional growth in the mobile internet user base. Seen especially in the emerging markets; the pervasiveness of these mobile devices serves as a goldmine of a rich potential data source.

The alternate data generated by the use of the mobile phone is leveraged to create unique behavioral profiles, which in turn is used to manage the credit lifecycle of a customer starting from acquisition to settlement. Data along with technology play a vital role in building an all-encompassing ecosystem, which will enable millions to unlock their true economic potentials, thereby opening enormous prospects for companies.

Two-thirds of unbanked adults have a mobile phone
Adults without an account owning a mobile phone, 2017



Sources: Global Findex database; Gallup World Poll 2017.
Note: Data are not displayed for economies where the share of adults without an account is 5 percent or less.

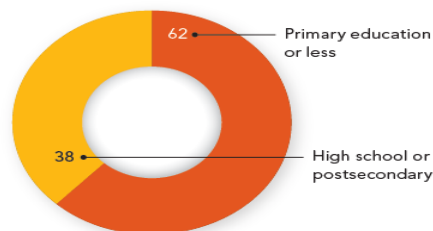
With both the traditional as well as the digital financial institutions, looking to leverage these alternate datasets to expand the reach of affordable and efficient financial services to more people in even the most remote areas only proves that the lines of financial access are thinning by the day.

Yabx is a prominent player in the mobile lending arena. The company enables the underserved with limited credit history to get fair access to financial services tailored to their needs. They do this by creating a credible financial identity for the unbanked and underserved demography based on alternate data. The fintech company, using machine learning, transforms this alternate data into a financial identity to predict the ability and willingness to consume financial products.

Time to educate the blissfully ignorant

Realizing the potential of the unbanked and meeting their specific needs is not the only success factor while operating in a developing country. We must also understand that a majority of them are from low and middle-income segments, unaware of the use of technology. For this segment of society, financial access through alternative channels would continue to remain a dream unless they have a working knowledge on the use of these tools. Financial obliviousness can be a great hindrance to the progress of technology, leading to heavy losses to companies operating in this space.

Most unbanked adults have a primary education or less
Adults without an account by educational attainment (%), 2017



Source: Global Findex database.

Hype or Hope

With the mobile lending ecosystem only expanding by the day, and new players entering this space across emerging markets, a responsible approach is the need of the hour for all stakeholders involved. This ranges from data privacy protection, easy and simple financial access, to a sincere focus on educating the primary target audience for greater financial inclusion.

The World Bank's Findex 2017 revealed that new technologies are making financial services available at unmatched levels – especially for low-income people in emerging markets. With the digital infrastructure advancing rapidly in developing countries the companies that provide these services, need to understand that financial inclusion is not merely a means to an end and ensure that they do more than just provide financial access.

Thanks to advanced technologies, big data analysis and digital footprints, the very concept of a brick and mortar banking is slowly fading into oblivion, giving way to a digital, mobile era.

The hype is real, so is the hope this opportunity provides.