

# **TRUST CREDIT - A CREDIT SCORE FOR THE UNBANKED**

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## Abstract

Financial Exclusion has resulted in 2.5 billion of the world's working adults excluded from formal financial services. Financial exclusion is a common phenomenon among emerging and developing countries and accounts for more than 60% of global poverty. Absence of documented income proof and lack of physical access to financial institutions are considered factors that fuel financial exclusion worldwide. Ability to understand and predict financial discipline among those that are financially excluded is of interest to financial institutions, and individuals themselves and is considered a vital part in enabling Financial Inclusion.

This research proposes a methodology to address the issue of inaccessibility of financial services among individuals that do not possess the means to prove individual creditworthiness to financial service providers. The research project aims to leverage on the existing technology and communications infrastructure that has transformed how individuals use mobile phones and digital technology to fulfill daily needs. This work reports results from one of the known studies connecting financial outcomes and phone-based social behavior. The project focusses on analysing mobile phone interactions to derive a score that depicts an individual's financial discipline (creditworthiness) that would enable access to previously denied financial services. The solution leverages on mobile interactions where an individual's digital footprint is subject to analysis.

The findings of previous studies on the subject were validated through a questionnaire distributed among a sample of financially excluded individuals and interviews with experts in the field of consumer lending and Microfinance. The results indicate that the notion of attributing a score based on phone based interactions to derive financial discipline will fill the void and enable financial inclusion among the under-banked population. Thus, considering the factors identified a mobile application - "TrustCredit" has been designed and developed capable of generating a credit score that qualifies individuals to access financial services. TrustCredit provides its users the ability to apply for Microloans at their convenience and more importantly builds a credit history capable of qualifying for mainstream financial services that were previously denied. The solution was evaluated by domain experts and expected end users and was commended for its role in enabling Financial Inclusion.

**Keywords:** Financial exclusion, Mobile interactions, Financial discipline, Credit score, Micro-loans, Risk assessment, Text analysis