

Making Instant Credit Accessible to More Online Shoppers in Indonesia


Experian PowerScore enabled one of the fastest growing digital credit card providers in Southeast Asia to increase their loan approval rates by reliably scoring the 'unbankable' consumers.



Increase loan approval rate from 50% to 56%



Additional 1,800 loan approvals every month



Manual review time for borderline applications reduced from two days to instant approval

Driven by a burgeoning middle class as well as a high internet and mobile penetration rate, the e-commerce market in Indonesia is expected to reach US\$35 billion in 2020, a 50% jump from US\$23 billion in 2019¹.

Even before the Covid-19 pandemic, which nudged more consumers onto online marketplaces, Indonesians were already keen online shoppers, with 90% of Indonesia's 152 million internet users having purchased online before².

To make it even easier for shoppers to buy online, the country's top e-commerce sites offer a 'buy now, pay later' loan programme, which has become the third most popular fintech product in Southeast Asia's largest economy³. This has removed barriers to online shopping for Indonesia's 264 million people, many of whom are unbanked and cannot get access to credit.

SOLUTION

Experian PowerScore: An innovative credit assessment approach that combines 'ready-to-use' alternative data with adaptive learning

ABOUT THE COMPANY

Leading digital credit card that offers small-ticket loans to online shoppers.

HEADQUARTERS

Jakarta, Indonesia

BUSINESS NEEDS

- Increase loan approval rates while maintaining or reducing bad rates
- The lack of a traditional credit score makes it difficult to assess applicants' creditworthiness

¹ [The Jakarta Post \(2020\). COVID-19 helps create new normal in online shopping: Survey.](#)

² [Hootsuite & We Are Social \(2019\). Digital 2019 Spotlight: Ecommerce in Indonesia.](#)

³ [Daily Social \(2019\). Fintech Report.](#)

Case study

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One of the leading digital credit cards in the country is bridging this gap by allowing online shoppers to secure credit between US\$100 and US\$1,500 – in minutes. This allows them to shop or make transactions now and settle repayments later. There is no fee if the customer pays it back in full within 30 days.

Difficulty in assessing creditworthiness

In Indonesia, online shoppers have a plethora of credit options and payment methods to choose from when checking out.

Against this highly competitive landscape, the key to success for the credit lending platform lies in attracting high application volumes while making accurate risk assessments of each customer to determine whether to extend credit.

Given that most of the loan applicants do not have a history of a credit card or a bank account, the absence of a traditional credit score makes it difficult to assess their creditworthiness.



Our global expertise in building credit risk models is highly differentiated. We enable the score to work for the platform and we provide additional support in how to apply and implement it in the right way.

— Mohan Jayaraman, Managing Director, SouthEast Asia & Regional Innovation, Asia Pacific



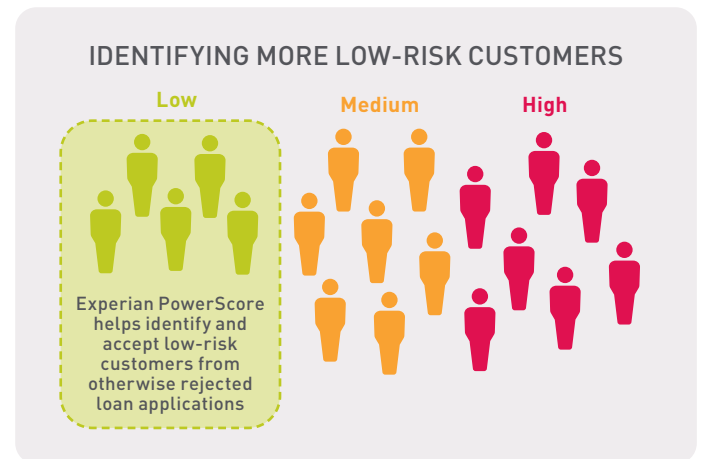
Looking at other metrics to decide who should get a loan, such as a consumer's buying history on an e-commerce platform, the digital credit card approves about 50% of the applications. To increase the loan approval rate, the company needed access to more alternative data to bridge the data gap so that it can make better informed decisions.

Scoring the unbanked

Through its strategic partnerships with telecommunications companies in Indonesia, Experian was able to tap

into their data to build a bespoke risk assessment of the loan applicants.

The alternative data from the telcos is particularly powerful as it contains information on a large number of consumers and gives insights into an applicant's credit risk based on behavioural factors such as spending on top-ups, the smartphone model and how often the phone is used.



Experian PowerScore – an innovative alternative scoring system – combines such 'ready-to-use' alternative data with adaptive learning to generate an alternative score even for Indonesian e-shoppers who do not have a bank account or credit card. Unlike the generic, one-size-fits-all alternative scores from other providers, the Experian PowerScore is tailored specifically to the client portfolio.

"Our global expertise in building credit risk models is highly differentiated. We enable the score to work for the platform and we provide additional support in how to apply and implement it in the right way," explained Mohan Jayaraman, Managing Director, SouthEast Asia & Regional Innovation, Asia Pacific.

"Moreover, with our experience in credit bureaux, the team is able to build an alternative score that is both transparent and can be explained to regulators."

Increasing Approval Rate

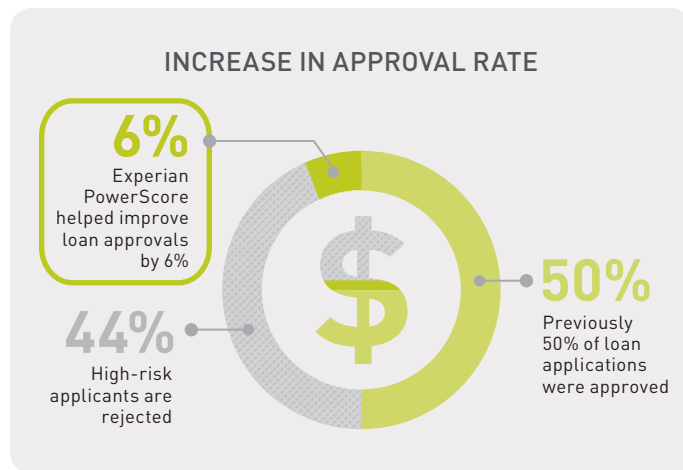
When customising the risk model, Experian aimed to do two things – maximise the loan approval rate while keeping the rate of bad debt constant.

Case study

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The digital credit card would have previously rejected some good customers, who might actually have a better alternative score derived from their telco data. Experian was able to show that the acceptance of such applicants will not cause the bad rate to go up.

As a result, the digital credit card was able to increase the number of loan approvals by 6% while the bad rate remained constant. For every 30,000 loan applications in a month, the implementation of Experian PowerScore brought an additional 1,800 loan approvals, with disbursements growing on average by US\$300,000 per month.



“By providing credit access to many for the first time, the popular pay later feature continues to strengthen consumption and people’s purchasing power,” said Jayaraman.

“Experian PowerScore harnesses the power of ‘ready-to-use’ alternative data to enable the digital credit card to score a wider base of applicants and grow their credit portfolio, bringing financial inclusion to millions.”

In the last six months that Experian PowerScore was used in assessing loan applications, an additional 10,800 online shoppers who did not have access to credit were able to enjoy the pay later product, furthering the country’s progress towards financial inclusion.

The Experian PowerScore can also be used to reduce application processing time. In the past, borderline cases had to be assessed by manual underwriters, which would take several days. With Experian PowerScore, reviews became instant, supported by faster integration through a single API.

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