



BSP pitches alternative data for credit score

By Elijah Felice Rosales – January 5, 2022

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MANILA, Philippines — The Bangko Sentral ng Pilipinas (BSP) has asked financial firms to look into clients' non-traditional or alternative data such as social media or online transactions for credit scoring.

“With alternative data, a more complete picture of the client is painted; thus allowing for more individuals and businesses to be assessed,” BSP Governor Benjamin Diokno said.

Unlike traditional data made up of bank transactions and credit information, alternative data can come in several forms such as social media, mobile data, utilities data, behavioral data, online transactions, geolocation data and browser data.

Diokno said financial firms can use these data to assess the credit worthiness of a borrower. The use of alternative data also allows banking and credit institutions to evaluate loan applications of individuals and firms who have little to no credit history.

He said banking and credit institutions should explore how they can use alternative data to expand financial inclusion in the Philippines.

Last year the BSP conducted a survey of consumer sentiment when it comes to financial services to grasp what changes clients want to see with their banking and credit affiliates.

Through the use of alternative data, respondents said financial firms can improve their customer profiling, adjust the pricing of loan products and even cut the default rates.

While it took an average of two years before the benefits were realized, Diokno said the gains should be looked at by industry players as motivations to use alternative data.

“The use of alternative data for credit scoring is just one example of how data can be used to benefit consumers. Looking ahead, we must continue to take initiative in fostering an inclusive digital financial ecosystem,” Diokno said.

Based on the World Bank's Global Findex 2017, the Philippines trails on ownership of financial accounts. The report also said that Filipinos are financially excluded due to, among others, cost of opening an account, documentation issues and distance to a bank.

State think tank Philippine Institute for Development Studies also said in a study that the country has an enabling environment for the development of financial inclusion when compared to Asian neighbors China, India, Malaysia, Thailand, Indonesia, Vietnam, Cambodia and Myanmar.