CredoLab Helps Payday Lender Scale the Business by Reducing the default rates by more than 26%

The payday loan market in Southeast Asia is growing steadily. Many players have entered the market with unique offering, rates, and ease of process to entice non-banked or under banked customers to avail quick and easy loans.

One such player from Indonesia wanted to launch a fully mobile Pay Day Loan application process. However, it faced challenges that stopped the efficiency of the business and lead to heavy losses in terms of high non-performing loans and low approval rates.

26%

Drop in Default Rate

100%

User Adoption
(% of customers who grant permissions)

<30secs

Time to Yes

Challenge

Launching a mobile-only payday loan definitely had its own challenges. Keeping the loan amount, term and interest rates in the ranges that customers wanted and found affordable was one part of the problem. The other and the more crucial problem was the lack of credit bureau and historical financial data. More than 60% of applicants were still being vetted manually leading to 12% approval rate and higher than 25% non-performance loans. This required a solution that could assess the applicants on the basis of alternative data sources – quickly, and efficiently.

Solution

Thus, CredoLab's digital scorecard based on smartphone device data was ideal for them. Our SDK was integrated with their mobile app to score the applicant based on the device metadata, in real time. The AI-powered algorithm converted over tens and thousands of data points into a behavioural score that predicted accurately the customer's willingness to repay.

Within only 7 months of collecting data, the engine was ready to churn out scores able to assess the risk profile peculiar to the lender's customer base behaviour, and market. The solution saw a 100% adoption rate by the customers and time to yes of less than an hour – end to end.

Results

The ease of application and the quick time-to-yes was a huge push to not only the objective with which the lender had entered the market but also to the quality of approved customers. With CredoLab they could now reduce the manual underwriting by -42% and the default rate by -26%. Ease of process encouraged the adoption rate with all customers using the new scoring process and brought down the time to yes to less than 30 secs.