

Leveraging Big Data for Lending in China

Ant Financial, an affiliate of Alibaba Group, provides microfinancing to women entrepreneurs using online credit assessments.



CLIENT PROFILE

Ant Financial Services Group offers micro loans to micro and small enterprises through an innovative approach: it uses data from prior online transactions to evaluate potential borrowers. A member of China's Alibaba Group, Ant Financial relies its lending decisions on transactional history, such as bill-paying behavior, rather than on collateral.

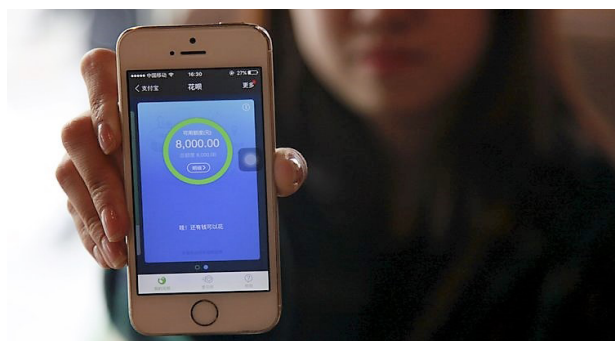
More than half of Ant Financial's clients are women-owned businesses. Its services include a mobile payments service, an online investment platform, and a new private bank.

Established in October 2014, Ant Financial's model of using big data rather than assets to secure loans has helped to differentiate itself. It has significantly increased the number of potential clients, through this approach, especially women-owned micro-businesses, that otherwise would have little chance of obtaining a traditional, collateral-based loan.

BACKGROUND

Obtaining access to finance is a major challenge for micro, small and medium-sized enterprises (MSMEs) in China. While MSMEs account for approximately 90 percent of all firms in China and 60 percent of employment – an important contribution to the economy – they account for only 30 percent of loans within the formal banking system.

More than 560 million people have access to the Internet in China. Increasingly, small firms in China are offering online solutions to their customers. For women entrepreneurs in China, access to finance presents an especially acute challenge. IFC research has shown that 70 percent of entrepreneurs in this segment have difficulty accessing financing critical for growth and weathering economic stress.



To help address this gap, IFC in partnership with Goldman Sachs, and Ant Financial, a part of the Alibaba Group, came together to meet the financing needs of Chinese MSMEs.

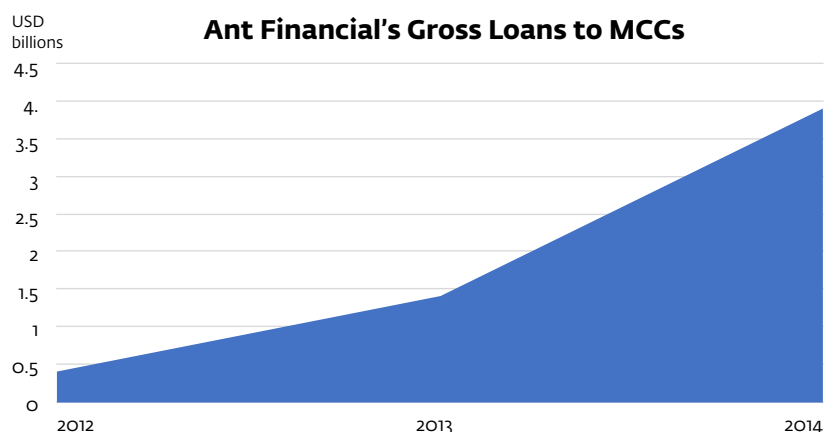
IFC ROLE

In 2015, IFC provided Ant Credit, subsidiary of Ant Financial, about 1.5 billion yuan (\$245 million) in financing. The package included 500 million yuan (\$80 million) specifically targeting women entrepreneurs. This package was made available through the IFC/Goldman Sachs 10,000 Women Entrepreneurs Opportunity Facility, that provides financing to women-owned SMEs in developing countries.

Ant Credit provides small online loans. Many of its current clients are women who sell products on Alibaba's online marketplaces, Taobao.com and Tmall.com. The Alibaba e-commerce platform provided Ant Financial an opportunity to build credit scoring systems and determine creditworthiness of loan applicants by using online data

IMPACT AND RESULTS

Ant Financial's approach makes it easier for small businesses with a good track record to access financing even if they do not have collateral. This makes Ant Financial more competitive by bringing in high performing SMEs into its customer base in ways that traditional banks will find difficult to replicate. Leveraging big Data and cloud computing has helped Ant financial offer inclusive financial services.



The use of Big Data could potentially reshape SME lending in China, since concrete information showing spending and payment habits can provide greater confidence in lending. Credit decisions can also be made more quickly.

DIGITAL FINANCIAL SERVICES IN IFC

Digital Financial Services, or DFS, uses technology to provide financial services to customers with limited access to traditional branch-based banking. Technology-enabled financial services enable customers and retail outlets to connect to financial service providers using tools such as mobile phones, payment cards, and online banking.

Globally, over 2 billion people – about 40 percent of the world's adult population – are excluded from financial services. IFC's experience has shown that DFS can dramatically narrow the financial inclusion gap in emerging economies, making it an important tool for reducing poverty.

In support of the World Bank Group's commitment to universal access to finance, IFC is working with its network of partner financial institutions to reach 600 million people by 2020. DFS is at the core of IFC's strategy to achieve this goal.

For more information about IFC's Global DFS Team, visit www.ifc.org/dfs.

KEY FACTS

120M+
Total Clients



7,000
Employees



6,000,000
SMEs



USD 95B
Loan Portfolio



USD 450
Average Loan



China



KEY LESSONS

IFC's extensive experience in the Chinese market, particularly with Alibaba, Ant Financial's parent, in addition to its global SME initiatives have provided valuable insights for SME development in China and elsewhere.

- Women entrepreneurs are a large, untapped resource that could have a tremendous impact on China's economic development. By providing women entrepreneurs with access to capital, they obtain the resources necessary to grow their businesses and have a multiplier effect on the economy.
- While collateral provides comfort to lenders, relying on it for lending decisions excludes millions of small businesses with high potential. Big Data can provide reliable data based on actual payment history, and open up new opportunities for lenders to expand their customer base.
- Internet technologies also have the potential to accelerate and simplify the lending process, resulting in more efficient use of funds.



Photo Credit: Ant Financial Services Group