

the BAP. The BAP was supportive of this initiative when proposed in the House Committee on Banks in Congress. We contributed to the exploratory talks and was responsible in opening the eyes of Congress to the concept of Big Data as the technology that will drive behind alternative credit rating framework,” BAP told *BusinessWorld* in an e-mail.

“In this time of technological surge and various social media platforms, we are confident that the banks are building and incorporating their own alternative sources of data in their assessment of a borrower’s creditworthiness. The use of which will still have to be consistent with regulatory requirements and international best practices,” it added.

In 2019, CIMB Bank Philippines partnered with Singapore-based fintech CredoLab for a more inclusive way of assessing an individual’s borrowing capability. The mobile application CredoApp was created for the purpose of streamlining loan applications through a smartphone’s metadata.

The app’s bank-grade algorithm enables a consent-driven analysis to form a predictive behavioral pattern, which can be instantly converted to a person’s creditworthiness.

More recent developments were carried out by Tonik Digital Bank Philippines by teaming up with alternative credit scoring company FinScore in 2021. The credit company used telco data by harnessing a device’s data and voice usage, top-up patterns, location, and SIM card age.

However, the adoption of alternative data for evaluation is still static.

In September last year, the BSP’s Financial Inclusion Office conducted

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a rapid survey distributed to 146 financial service providers (FSPs). One in four FSPs said alternative data was used to generate a person’s debt-paying ability score. The BSP noted that this was true among various financial institutions and nonbank lending companies. In spite of that, more than half of fintech firms are already utilizing alternative data.

“Despite the current low adoption of alternative data, 127 FSPs or 87% of all survey respondents believe that the local financial industry will use alternative data more extensively moving forward. Aside from using alternative data for credit scoring, future use cases include pricing of financial services, setting of credit limits, and fraud detection,” the BSP added.

RISKS AND POSSIBLE CONFLICTS

In terms of regulatory practices, for the use of alternative data to be deemed credible by financial institutions, the BSP shall maintain