

Design, test, and scaling of a pro-poor
**Probabilistic Cashflow
Model**

Insights, Impact, and Challenges

Project team: Roma Vasudevan, Anurag Saxena

Project Duration: 1st Sept 24 to 31st Aug 27

Project overview

- **Brief summary of the project:**

This project focuses on developing a predictive cash flow model (PCM) to estimate disposable income for specific market segments. Implemented in four phases—design, development, piloting, and scaling—the model will provide lenders with a reliable tool to assess creditworthiness in underserved populations. Eventually, in the long run the goal is to make this a public good to help expand access to credit for low-income individuals.

- **The problem it seeks to address and its significance:**

Many low-income individuals face barriers to credit due to limited or non-existent credit histories. The project seeks to create a cost-effective solution that enables lenders to assess repayment capacity accurately, even with minimal data, thus expanding credit access and fostering economic empowerment.

- **Thematic area are –**

a) Building trust and confidence, b) Strengthening Distribution, c) Innovations and d) Digital Public Infrastructure.

Stakeholders and Geographies

- **Key stakeholders involved in your project:**

This is a consortium lead project with Accion as the lead and 3 consortium partners supporting model/product design, model development/validation, and regulatory/partnerships support. Other stakeholders beyond the consortium are:

1. Lenders: MFIs and NBFCs providing credit.
2. Beneficiaries: Low-income individuals engaged in productive activities such as micro-entrepreneurs
3. Regulators and Policymakers: Support alignment with financial regulations.

- **Geographical areas (states and districts) where the project is being implemented: India**

Project Outcomes Achieved (incl WIP)

The program was approved in early September 2024 and is in its early stages. The project is currently in the strategy definition phase, so there are no specific outcomes or impacts to report yet. Once fully implemented, the project aims to achieve the following anticipated outcomes within two specific market segments, selected based on feasibility and potential for impact :

- 1. Beneficiaries:** The goal is to reach a targeted number of low-income individuals and new-to-credit (NTC) customers from the selected segments, demonstrating the model's viability and making a strong case for its effectiveness.
- 2. New Financial Services/Products:** The project intends to use the model to design tailored credit products for underserved segments, particularly those with limited credit histories.
- 3. Improvements in Access:** There is an opportunity to offer lenders new, scalable, and cost-effective data sources, facilitating tailored lending solutions for low-income customers. Improved risk models can assist banks in lowering assessment costs, managing risk more effectively, etc.
- 4. Impact on Women:** A specific focus will be placed on empowering women wherever possible, addressing the existing disparities in access to credit, and promoting gender equality in financial services.

Note: *The current ongoing activities are as follows:*

- The initial phase of lender validation of the concept, along with seeking inputs from lenders, banks, MFIs, NBFCs, and fintechs, is underway. Institutions expected to provide feedback in the coming weeks include SBI, HDFC, Revfin, CredRight, etc. (This is not an exhaustive list.)*
- Defining the segment selection approach.*

Key Learnings and Insights

Given that the project was just launched it's too soon to share any key learning and insights

Things that worked

NA

Challenges

NA

What could have been done differently?

NA

Opportunities for collaboration

1. **Partnerships with Lenders:** Engage MFIs and NBFCs for model validation and implementation.
2. **Data Sharing Initiatives:** Collaborate with FSPs, Credit Rating Agencies, Government Databases and Non-profits to share demographic and loan performance data.
3. **Engagement with Regulators:** Work with regulators and policymakers to align with financial regulations.

Consortium partners (collaborators) :

- Model/product design: McKinsey & Company
- Model development/validation: DiscreteKernel
- Regulatory/partnerships support: Scymes (MCQube)

Team Information [Key team members]

Accion [Consortium lead]

Anurag Saxena

Vice President Asia at Accion
Advisory

Roma Vasudevan

Senior Director at Accion
Advisory

Andrés Calderon

VP of Risk Management at
Accion Advisory

McKinsey [Product design]

Pankaj Kumar

Partner at McKinsey &
Company

Pradeep P.

Partner at McKinsey &
Company

Kaustav Tainwala

Associate · McKinsey &
Company

MCQube [Regulation and partnerships support]

Mrugank Paranjape

Managing Partner MCQube

Praveen KS.,

Partner at MCQube

V Shunmugam,

Partner at MCQube

DiscreteKernel [Model development]

Subbu Venkataramanan

Founder and CEO

Vijaya Kumar

Partner and COO

Mihir Saudagar

Partner and CTO