

## **PROJECT SUMMARY**

### **DIGITAL FINANCIAL SERVICES IN AN ECOSYSTEM OF INCLUSION (CO-L1239, CO-T1489)**

In Colombia, although business access to microcredit has grown, there are no formal and flexible financial products designed to protect people in the lowest income groups from the vulnerabilities associated with fluctuating incomes. Moreover, the vast majority of payments transacted in small businesses are made in cash.

Against this backdrop, this project will support the creation of simple and flexible digital financial credit products of small amount (nanoloans<sup>1</sup> and microloans), leveraging the payment ecosystem created by the MOVIIRED transactional network. These credit products, offered via a digital wallet (e-wallet), will be targeted to two types of customer: (a) end customers will obtain nanoloans and microloans to cover their liquidity needs and reduce their vulnerability to financial exigencies and daily emergencies; and (b) agents associated with MOVIIRED will be able to obtain microloans for unrestricted investment and thus offer a variety of services, generate additional income, and attract customers to their businesses.

The Multilateral Investment Fund (MIF) will work with MOVIIRED to provide this digital financial solution, deploying state-of-the-art technology and using over 200 points of data capture that its customers generate in their various mobile transactions (data on remittance and receipt of payments, cell phone recharges, content purchase, payments in shops, public utility payments, social network use, etc.) to create products and services designed for different user profiles, including dynamic credit scoring and credit products adjusted to customers' needs and financial capacities.

With support from the project, MOVIIRED will test state-of-the-art technologies in its digital financial solution that will improve its customers' financial health. Specifically, it will use the chatbot application to improve customers' understanding of financial products; artificial intelligence to detect and prevent credit addiction tendencies that might generate payment difficulties; big data to ascertain users' behavior and predict their needs; and machine learning for the credit scoring platform.<sup>2</sup> As users perform a larger number of transactions in the application, the system will predictively adjust their credit scoring level and suggest new products and services targeted to their needs.

The project is expected to produce the following results: (a) the implementation of a digital financial solution to issue immediate and flexible nanoloans and microloans that can be requested remotely by cell phone, both by individuals who need them to finance their day-to-day needs and by MOVIIRED agents who need credit to offer the aforementioned financial services; (b) a portfolio of digital nanoloans and microloans totaling over US\$61.9 million in three years and US\$95.4 million in five years; and (c) access to the financial system for 2.1 million people in three years and 3.4 million in five years through the MOVII e-wallet, affording users financial inclusion through an electronic means of payment, access to credit, and the management of their liquidity, payments, and transfers.

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<sup>1</sup> Nanoloans are loans of between US\$2 and US\$30.

<sup>2</sup> Understood as a credit score that is continually adjusted to reflect the customer's latest data.