Social credit scores three ways: The good, the bad and the ugly

By Bronwyn Williams

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Social credit scores are set to be one of *the* trending terms for 2019. However, not all credit scores are created equal (or with equally good intentions)...

The good - social credit for financial inclusion

One of the biggest issues in Africa is that of financial inclusion. People without a banking or credit history cannot apply for the loans they need to improve their lives and businesses.

Start ups such as InVenture and Social Leander are changing that by creating social credit scores which can be used to determine a person's credit worthiness, with surprising accuracy.

InVenture, which operates in East Africa, India and South Africa, has developed software, which once installed (with permission) on a users phone analyses 10,000 data indicators, including number of contacts and airtime top-up frequency and amounts, to determine a reliable credit score. In its first year of operation (2014) InVenture issued more than 6,000 micro loans - and enjoyed an 85% repayment rate.

Similarly, Nigerian start-up, Social Leander (which counts Absa and Barclays amongst its backers), uses online, mobile and social media data to help create a social reputation score for otherwise credit worthy customers who merely lack a credit history. This is a much needed solution for Africa where many young, financially responsible professionals who can absolutely afford to pay back loans and mortgage bonds are all too often defined loans simply due to the fact that they lack a financial history.

The bad - social credit for social acceptance

It's no secret, young people are defined by their social status. In today's hyper-connected world, where our every move, outfit, comment and "like" is recorded for posterity on our social media feeds, people (young people in particular) feel pressure to conform to the narrow Overton Window of socially acceptable opinions. This self-censorship in exchange for social acceptance is known as social cooling. If people cross the boundaries of social convention, by revealing their true opinions, they can find themselves bullied, ostracised from their peer groups, or worse, even blocked from jobs and business opportunities where only mainstream points of view are welcome.

This large-scale peer pressure, driven by the all too real consequences of not submitting to the norm leads to a pervasive culture of conformity, risk aversion, and self-censorship - in other words to sadly reduced creativity and growth prospects for society at large.

The ugly - social credit for social control

China's new national Social Credit System (currently in beta phase, set to roll out by 2020) are straight out of an Orwellian dystopia novel. The Chinese Sesame Credit system rates every Chinese citizen with a score, which determines that person's social standing and access to opportunities. A low score limits access to travel, jobs, housing - and even marriage opportunities. Scores are comprised of data collected on everything from online shopping and browsing habits, to behaviour on public transport to political leanings. Online and offline behaviour is tracked and rated using the Chinese government's sophisticated facial recognition, voice recognition - and even gait recognition databases - so don't think you can game the system by wearing a full face visor (an increasingly popular fashion choice in that part of the world).

Watch your rating

The kind of social credit score used for population control is obviously a very different idea to that of social credit scores used for access to financial opportunity, as InVenture and Social Leander are doing. However, whichever way you look at it, social credit scores are here to stay. Considering we create 2.5 quintillion bytes of new data each day, these scores are only going to become more accurate and more powerful. Whether we use all that data and the resulting scores to increase or limit opportunity is up to us.

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