

Sesame (Zhima) Score: 'Social Credit Score' or FICO-like Credit Score?

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Abstract :

At the beginning of 2015, Sesame score was born out of the finance department of the Alibaba Group, now named Ant Finance. Sesame score was introduced to Chinese consumers as the first public credit score in China and was soon brought into widespread use. Sesame score examines consumers' creditworthiness based on one's personal characteristics, credit history, contract performance, and social network and behavioural preferences, by incorporating proprietary big data that goes beyond mere financial aspects.

During recent years, the construction of a social credit score in China has caught the attention of the media across the globe. However, it is rather confusing to distinguish between the three main types of consumer scores: Sesame score, Social credit score, and FICO-like credit score. In this paper, we will explore the differences between these three types of consumer scores.

Delving into the mechanism of Sesame score, this research will explore in detail how it operates and analyses how it differs from a traditional credit score. In addition, we will investigate the applications and performance of Sesame score, as the score is widely used by digital vendors to provide and tailor daily services to consumers, enabling 'use first and pay later' or 'borrow items without deposit' features. Sesame score has accelerated the boom of the sharing economy in China.

Moreover, Sesame score has been recognized as a tool for risk controlling i.e. the safeguarding of Internet finance, given that the national credit bureau (Credit Reference Center) is not open to non-regulated Internet finance platforms whose credit applicants usually lack of credit history. Meanwhile, various Internet finance platforms and digital vendors have found Sesame score useful. It is worthwhile to look at how Sesame score meets the Chinese risk appetite and how the market has come to recognize the reliability of such a score. This paper also evaluates Sesame score approach to risk controls.

The wide application of Sesame score in non-loan fields has caused controversy, related to issues of consumer privacy and use in marketing. This year, due to the regulation from the People's Bank of China, Ant Finance announced that it had stopped its business activities regarding the application of Sesame score in the finance field; now one must ask: what is the next step for Sesame credit score? This paper discusses the future of Sesame score with special consideration being given to the concepts 'all data is credit data' and 'all service is becoming credit service'.

Key words: Sesame score, Credit score, Social credit score, Internet finance

